

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF APPLICATION OF COLUMBIA GAS OF)	
KENTUCKY, INC. TO CONTINUE ITS ENERGY)	CASE NO.
EFFICIENCY CONSERVATION RIDER AND)	2016-00107
ENERGY EFFICIENCY CONSERVATION PROGRAM)	

ORDER

On February 29, 2016, Columbia Gas of Kentucky Inc. (“Columbia”) submitted an application requesting approval to continue its Energy Efficiency Conservation (“EEC”) Program through June 30, 2021, and Columbia’s EEC Rider through January 2022. The application was filed in compliance with the Commission’s Order in Case No. 2013-00167,¹ which required Columbia to file an application no later than February 29, 2016, to request the continuation of the program. On June 30, 2016, the Commission issued an Order continuing the program pending a final Order in this proceeding. On August 24, 2016, an Informal Conference (“IC”) was held to clarify certain issues in this case. Columbia responded to three requests for information from Commission Staff. There are no intervenors in this proceeding, and the matter now stands submitted to the Commission for a decision based on the evidentiary record.

¹ Case No. 2013-00167, *Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates for Gas Service* (Ky. PSC Dec. 13, 2013).

DISCUSSION

Pursuant to KRS 278.285, Columbia's EEC Rider provides a dollar-for-dollar recovery of costs associated with the implementation of the EEC programs and lost sales revenues. It also includes a small incentive component designed to encourage Columbia to develop and implement cost-effective DSM programs, as well as a reconciling adjustment for any over- or under-recoveries of program costs.

Columbia offers three residential Demand Side Management ("DSM") measures through the EEC Program:

- High-Efficiency Appliance Rebates provide rebates for the installation of high-efficiency space and water heating appliances;
- Home Energy Audits provide free walk-through energy audits; and
- Low-Income High Efficiency Furnace Replacement provides up to \$2,200 toward the cost of installing a high-efficiency forced-air furnace for a qualifying low-income customer.

Columbia met in November and December 2015 with its DSM Collaborative to discuss potential changes to its DSM programs. Participating collaborative members included the Office of the Kentucky Attorney General, Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties ("CAC"), Stand Energy, and IGS Energy. CAC and IGS Energy suggested expanding current programs. Columbia states that after consulting with its outside consultant, it believes that its current programs effectively achieve its goals.²

² Application paragraph 7.

Columbia is proposing no changes to its existing tariffs and wishes to continue its EEC Program and EEC Rider as previously approved, with the exception of a proposal to increase the maximum replacement reimbursement for the Low-Income High Efficiency Furnace Replacement Program from \$2,200 to \$2,800. Despite this increase in program costs, Columbia does not propose to increase the overall budget of its DSM Programs, which has remained at \$908,000 annually since it was first approved in 2009, but notes that the increased furnace replacement cost could reduce the number of participants served.³

COST-EFFECTIVENESS

Columbia provided results of cost-effectiveness tests (“California tests”), which are widely used in the evaluation of DSM programs and set out in the California Standard Practice Manual. The California tests are the Participant Test, the Program Administrator Test, the Ratepayer Impact Measure, and the Total Resource Cost (“TRC”) Test. Test results are shown in the table below,⁴ and assume that 2 percent of the customers receiving benefits under the High-Efficiency Appliance Rebate Program and the Modified Low-Income High Efficiency Furnace Replacement Program would have switched to an alternative energy source such as electricity for space heating had the programs not been in effect. (Results greater than 1 imply the benefits are greater than the costs.)

³ Response to Staff’s First Request for Information (filed Apr.4, 2016), Item 4b.

⁴ Amended and Supplemental Response to Commissions Staff’s Second Request for Information (filed June 2, 2016), Item 1.

Program Name	Participant Test	Program Administrator Test	Ratepayer Impact Measure	Total Resource Cost Test
Audit Program	6.65	2.63	0.42	2.63
High Efficiency Furnace Rebate Program	1.10	1.77	0.58	1.77
Low-Income High Efficiency Furnace Replacement Program	7.43	0.88	0.70	0.88
All Programs	2.14	1.77	0.52	1.66

As can be seen in the table above, the TRC Test for all programs collectively is greater than one. Columbia asserts that, although the Low-Income Efficiency Furnace Replacement test results are all less than one, the program fulfills an important need in that the target customers are the least able to replace their inefficient furnaces, and this program allows them to improve their energy efficiency. Columbia further states that its programs create environmental and societal benefits while also incentivizing customers to use energy more efficiently. The appliance rebates help customers install appliances that are more efficient, although more costly to install than standard appliances. Additionally, the rebates allow Columbia to be competitive with electric utility DSM appliance rebate program offerings. Columbia has also received positive customer response in regards to the energy audits. The audits offer conservation tools, and Columbia states that its program is similar to audit programs offered by neighboring utilities.

FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Columbia's programs offer the opportunity for reduced gas

consumption and reduce the possibility that customers will switch to electric service due to attractive electric DSM programs. Columbia should continue its approved DSM measures, including the proposed increase in the Low-Income High Efficiency Furnace Replacement Program to \$2,800, through June 30, 2021, and the current EEC Rider should be approved for cost recovery through its January 2022 bills.

IT IS THEREFORE ORDERED that:

1. Columbia's request to continue its approved residential EEC Program DSM measures through June 30, 2021, is approved.
2. Columbia's request to increase the maximum replacement cost for the Low-Income High Efficiency Furnace Replacement Program to \$2,800 is approved.
3. Columbia's DSM cost recovery through its EEC Rider is approved through January 2022.
4. Columbia shall file an application no later than February 28, 2021, to request continuation of its EEC Program and EEC Rider.

By the Commission



ATTEST:


Executive Director

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