

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR APPROVAL OF A)	CASE NO.
NEW DEMAND-SIDE MANAGEMENT PROGRAM)	2014-00363
FOR ENERGY STAR APPLIANCES AND)	
FOR APPLIANCE RECYCLING)	

ORDER

On October 3, 2014, East Kentucky Power Cooperative, Inc. ("EKPC") submitted two tariff filings seeking authority to implement new demand-side management ("DSM") programs identified as the Appliance Recycling Program ("ARP") and the Energy Star Appliances Program ("ESAP"). The proposed ESAP is designed to provide incentives for the purchase of Energy Star appliances. The proposed ARP is designed to provide incentives for the removal and recycling of energy-inefficient refrigerators and freezers. Along with a cover letter, a cost-benefit analysis, supporting documents, and a guidelines document for each proposed tariff, EKPC submitted proposed tariffs for both programs. The ARP tariff is referred to as Section DSM-8 Appliance Recycling Program, and the ESAP tariff is referred to as Section DSM-9 Energy Star Appliance Program. EKPC proposed that the tariffs become effective November 3, 2014. The Commission suspended the tariffs for one day and ordered EKPC to submit new tariffs for each program with an effective date of November 4, 2014.

EKPC filed separate cover letters ("ARP Cover Letter" and "ESA Cover Letter," collectively "Cover Letters") for each of the proposed programs. The Cover Letters state that EKPC is expanding its DSM program offerings by introducing the ARP and

ESAP, common DSM programs for utilities across Kentucky and the United States, with the ARP providing for pick-up and recycling of energy-inefficient refrigerators and freezers, and the ESAP paying incentives for the purchase of Energy Star appliances. The EKPC DSM Steering Committee (“Steering Committee”), a committee made up of EKPC and owner-member cooperative (“owner-member”) staff, determined that both programs are worthwhile DSM programs. Subsequently, the Steering Committee requested and received approval from EKPC executive staff and owner-member CEOs to develop and fund said programs pending Commission approval.

Along with the ARP Cover Letter, EKPC provided the California Tests results and the program assumption sheet. The Total Resource Cost (“TRC”) is over 2.0 for EKPC, while the Rate Impact Measures (“RIM”) is below 1.0. The Steering Committee believed that consistency with the Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) program would provide simplicity to customers across Kentucky and help lower public confusion about program incentive levels. Therefore, the Steering Committee recommended a \$50 incentive level per recycled appliance to match the incentive offered by LG&E and KU. This rebate level, designed to enhance participation in the ARP, results in a lower RIM for EKPC. EKPC stated that the program is cost-effective with a TRC of over 2.0, even though the RIM is lower.

The ARP tariff details the end-use cooperative member (“end-use member”) incentive level per qualifying appliance type and provides for a \$90 transfer payment to the owner-member to offset lost revenues. EKPC also provided detailed program guidelines, which will be available on each participating owner-member’s website. The

end-use member qualifications per the program guidelines and the incentive or rebate payment will be handled by a third-party contractor.

EKPC will pay a third-party contractor a one-time set-up fee of \$8,250, annual administration costs of \$40,000 for 2015-2017, and \$81 per participant for promotion, enrollment, pickup, recycling, and program administration costs.¹

Along with the ESAP Cover Letter, EKPC provided the results of the California Tests and the program assumption sheet for the group of appliances as a whole. The TRC is 1.49, the RIM for EKPC is 0.80 and 1.0 for owner-members. The assumption sheets include the seven appliances² for which a rebate will be offered. The California Test applies a measure of energy efficiency to each appliance, and the collective measures for the group of seven appliances make up the resulting 1.49 TRC for the program as a whole. As with the ARP, the EKPC RIM is lower than usual because of program design. Again the Steering Committee believed that consistency with the LG&E and KU programs would provide simplicity to customers across Kentucky and help lower public confusion about rebate levels. Accordingly, the Steering Committee recommended that the rebate levels for each applicable appliance type match the rebates offered by LG&E and KU, even though the relatively generous levels result in a lower RIM for EKPC.

The tariff details the end-use cooperative member (“end-use member”) incentive³ or rebate levels per Energy Star appliance type and provides for a transfer payment to

¹ ARP assumption page supporting document of the ARP Cover Letter.

² Section DSM-9, Energy Star Appliance Program of the ESAP Cover Letter lists the following Energy Star type appliances that are included: refrigerator, freezer, dishwasher, clothes washer, heat pump water heater, air source heat pump, and air-conditioner (central).

³ Responses to Staff's Initial Request, Item 1, page 4 of 4 (filed Nov. 4, 2014).

the owner-member to cover lost revenues. The detailed program guidelines will be available on each participating owner-member's website. End-use members who wish to apply for an Energy Star appliance rebate may do so by completing the rebate application that can be: 1) downloaded from their owner-member's website; 2) filled out through an online portal on their owner-member's website; or 3) filled out in person at their owner-member's office. Verification that the appliance is a qualifying Energy Star appliance, the end-use member qualifications per the program guidelines, and the incentive or rebate payment will be handled by a third-party contractor.

EKPC will pay the third-party contractor a one-time set up fee of \$750, annual advertising costs of \$7,000 and other marketing and evaluation, measurement, and verification costs of \$5,000 for 2015-2017. EKPC will also pay monthly administration fees equaling \$1,750 annually, plus a \$10 fee per participant for servicing the rebate application.⁴

EKPC states that although ARP and ESAP expenditures will be funded in future DSM budgets, they are not included in the current DSM budgets, which reduces its annual margin.⁵ EKPC issued a Request for Proposals⁶ that included both ARP and ESAP, and the same contractor will provide services for both programs.

FINDINGS

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

⁴ ESAP assumption page supporting document of the Application.

⁵ Responses to Staff's Initial Request, Item 6 (filed Nov. 4, 2014).

⁶ Responses to Staff's Initial Request, Item 3 (filed Nov. 4, 2014).

1. EKPC's proposed ARP and ESAP tariffs and associated costs are reasonable and should be approved.

2. EKPC should file with the Commission a copy of the fully executed contract with the third-party implementation contractor for the ARP and ESAP within 20 days of its execution.

3. No later than August 15, 2015, EKPC should file with the Commission an ARP evaluation report for the six months ended June 30, 2015, that includes, by owner-member, the number of energy-inefficient refrigerators/freezers picked up and recycled and the associated incentives paid; the amount of transfer payments paid to the owner-member; and the projected kilowatt hour ("kWh") energy savings.

4. No later than February 15, 2016, EKPC should file with the Commission an ARP evaluation report for the 12 months ended December 31, 2015, that includes, by owner-member, the number of energy-inefficient refrigerators/freezers picked up and recycled and the associated incentives paid; the amount of transfer payments to the owner-member; and the projected kWh energy savings.

5. No later than August 15, 2015, EKPC should file with the Commission an ESAP evaluation report for the six months ended June 30, 2015, that includes, by owner-member, the number and type of energy-efficient appliances for which rebates were paid; the amount of the rebates; the amount paid to the owner-member; and the projected kWh energy savings.

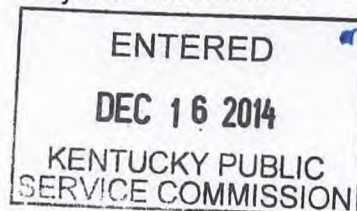
6. No later than February 15, 2016, EKPC should file with the Commission an ESAP evaluation report for the 12 months ended December 31, 2015, that includes, by owner-member, the number and type of energy-efficient appliances for which rebates

were paid; the amount of the rebates; the amount paid to the owner-member; and the projected kWh energy savings.

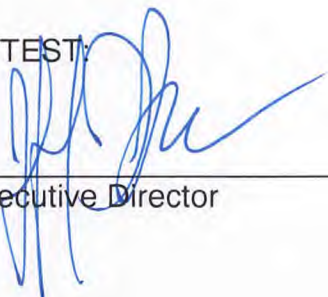
IT IS THEREFORE ORDERED that:

1. EKPC's proposed ARP and ESAP tariffs and associated costs are approved.
2. Within 20 days of the day of execution, EKPC shall file with the Commission a copy of the fully executed contract with the third-party implementation contractor for the ARP and ESAP.
3. EKPC shall file the reports as required in finding paragraphs 3 through 6.
4. Within 20 days of the date of this Order, EKPC shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised DSM tariffs showing the date of issue and that they were issued by authority of this Order.
5. Any documents filed in the future pursuant to ordering paragraph 3 herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:


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