



EAST KENTUCKY POWER COOPERATIVE

2007-00266

RECEIVED

JUN 28 2007

**PUBLIC SERVICE
COMMISSION**

June 28, 2007

HAND DELIVERED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: East Kentucky Power Cooperative, Inc. Touchstone Energy Manufactured Home
Program- Rate Schedule DSM-1

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission an original and ten copies of the Application of East Kentucky Power Cooperative, Inc., for a continuation through the end of 2009 of the Touchstone Energy Manufactured Home Program, which was originally approved by the Commission on November 8, 2002 in PSC Case No. 2002-00313.

Very truly yours,

Charles A. Lile
Senior Corporate Counsel

Enclosures

4775 Lexington Road 40391
P.O. Box 707, Winchester,
Kentucky 40392-0707

Tel. (859) 744-4812
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<http://www.ekpc.coop>

A Touchstone Energy Cooperative

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR)
CONTINUATION OF THE TOUCHSTONE) CASE NO. 2007- 00266
ENERGY MANUFACTURED HOME)
PROGRAM)

APPLICATION

1. Applicant, East Kentucky Power Cooperative, Inc., hereinafter referred to as "EKPC", Post Office Box 707, 4775 Lexington Road, Winchester, Kentucky 40392-0707, hereby files this Application for authority to continue the Touchstone Energy Manufactured Home Program (the "Program") through 2009.

2. This Application is made pursuant to KRS §278.285 and related statutes.

3. A copy of Applicant's restated Articles of Incorporation and all amendments thereto were filed with the Public Service Commission (the "Commission") in PSC Case No. 90-197, the Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity to Construct Certain Steam Service Facilities in Mason County, Kentucky

4. Attached as Applicant's Exhibit I is the Prepared Testimony of Jeffrey E. Hohman, EKPC Manager of Marketing, which explains EKPC's history with the Program, which was approved by the Commission in its order dated November 8, 2002 in PSC Case No. 2002-00313, and also explains the need to extend the Program, which currently expires at the end of 2007.

5. Attached as Applicant's Exhibit II is a revised tariff sheet for EKPC's Section DSM-1 Rate Schedule, showing the proposed changes.

WHEREFORE, Applicant respectfully requests the Commission to authorize the continuation of the Touchstone Energy Manufactured Home Program through 2009.

Respectfully submitted,



CHARLES A. LILE

ATTORNEY FOR EAST KENTUCKY
POWER COOPERATIVE, INC.
P. O. BOX 707
WINCHESTER, KY 40392-0707
(859) 744-4812

1 Manager of Marketing and Natural Resources in May 2003 and assumed
2 my current position in June 2007.

3 **Q Please explain the history of EKPC's Touchstone Energy**
4 **Manufactured Home Program (the "Program").**

5 A. The Public Service Commission (the "Commission") approved the
6 Program in November 2002 in PSC Case No. 2002-00313. The Program
7 was designed to encourage the sale of energy efficient manufactured
8 homes that meet the Energy Star standards developed by the U.S.
9 Environmental Protection Agency and the U.S. Department of Energy.
10 The Program includes a one-time \$250 rebate to participating Member
11 Systems from EKPC upon written confirmation that retail customers have
12 purchased newly constructed manufactured homes which meet the Energy
13 Star standards. In 2004, the Commission authorized a continuation of the
14 rebate part of the Program through 2007.

15 **Q. Has the Program been successful?**

16 A. The Touchstone Energy Manufactured Home Program has had limited
17 success. During the period 2004-2006, the Program had a total of 11
18 participants.

19 **Q. Why has the Program had limited success?**

20 A. Marketing campaigns that included incentives to the seller and the buyer
21 have not produced the desired results. New marketing material and
22 brochures were developed in 2003 and have been made available to
23 customers of EKPC's Member Systems since 2004. Interest, however, has

1 remained limited in large measure because it is likely that potential
2 customers are extremely price conscious and concerned about the
3 purchase price of the manufactured home.

4 **Q. Why, then, does EKPC wish to continue the Program?**

5 A. Communications with manufactured home dealers and a canvassing of
6 EKPC's Member Systems discloses a desire to retain some form of the
7 Program. As indicated above, customers in the manufactured home
8 business are sensitive to the up-front price of the product compared to the
9 on-going operational savings. A continuation of the Program (with
10 rebates) will enable EKPC and its Member Systems to have the
11 opportunity to reduce the up-front cost of the purchase and allow the
12 opportunity for improved sales.

13 EKPC and its Member Systems believe that the future of manufactured
14 homes must include energy efficiency. Historically, these homes have had
15 high energy costs and limited buyer education. EKPC and its Member
16 Systems believe that a blend of incentives and renewed buyer education
17 are the keys to future success.

18 Manufactured homes comprise a significant portion of homes in our
19 Member Systems' service territories. Consequently, potential
20 manufactured home buyers should continue to be offered the opportunity
21 to benefit from energy efficiency over the long run. Extending the
22 Program (with rebates) will increase the likelihood of customers attaining

1 these benefits while at the same time helping EKPC and its Member
2 Systems improve energy efficiency.

3 Moreover, extension of the Program until the end of 2009 is consistent
4 with EKPC's companion Touchstone Energy Home Program.

5 **Q. Do EKPC and its Member Systems plan to change its marketing**
6 **efforts for the Program?**

7 A. Yes. Past incentives paid to manufacturers, sellers, and homebuyers have
8 been based strictly on the requirement that the manufactured home meet
9 all Energy Star standards. This approach has not resulted in a significant
10 level of sales of Touchstone Energy Manufactured Homes. Moving
11 forward, EKPC plans to offer incentives on a two-part basis. Customers
12 that install an energy efficient heat pump that meets minimum Energy Star
13 standards instead of an inefficient furnace will be offered a rebate of up to
14 \$150. Customers that purchase a manufactured home that meets all
15 Energy Star standards will continue to receive a rebate of up to \$250.
16 In addition to these incentives, EKPC believes that consumer education is
17 important to the success of this program. New materials will be developed
18 highlighting the benefits of an energy efficient manufactured homes.

19 **Q. Have you prepared an Exhibit which reflects EKPC's proposed**
20 **changes to the program?**

21 A. Yes. Exhibit II to the Application is a proposed Tariff sheet which
22 incorporates the extension of the Program through the end of
23 2009. Page 2 of the Exhibit is the redline version of the Tariff changes.

1 **Q. Would you please describe the changes that are being made to the**
2 **Rebate section of the tariff?**

3 A. EKPC proposes two changes to the Rebate section of the tariff:
4 (1) add “rebate up to \$150” for the heat pump incentive; and,
5 (2) change the \$250 rebate for the Energy Star certified manufactured
6 home to “rebate up to \$250”.

7 **Q. Does this conclude your testimony?**

8 A. Yes.

EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM - 1

Touchstone Energy Manufactured Home Program

Purpose

The Touchstone Energy Manufactured Home Program is a conservation program that encourages the sale of more energy-efficient manufactured homes. It is based on the *Energy Star* standards for manufactured homes, a nationally recognized symbol of energy efficiency and quality developed and operated jointly by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE).

Availability

This program is available in all service territory served by EKPC.

Eligibility

To qualify as a Touchstone Energy Manufactured Home under EKPC's program, the participating manufactured home must be located in the service territory of a participating Member System and meet the *Energy Star* standards by including additional floor, wall and ceiling insulation, double pane windows and an electric heat pump.

Rebate

EKPC will provide an incentive for retail customers of our Member Systems to participate in this program by offering a one-time rebate. EKPC will rebate up to \$250 per certified manufactured home to the participating Member System. Rebates will be paid to the participating Member Systems upon written certification that the retail participant has met the *Energy Star* standards for newly constructed manufactured homes. N

For customers who purchase a manufactured home which only includes a heat pump meeting Energy Star standards, EKPC will rebate up to \$150. N

Annual Reports

EKPC will submit annual reports on the Program that contain the number of participants from each Member System, the annual costs, including the costs of the rebates, and the status of the rebate provision. EKPC will file the first report by March 31, 2004, and annually thereafter.

Term

The Touchstone Energy Manufactured Home Program will remain in effect through the end of 2009. If EKPC should decide to continue the entire program beyond 2009, an application for approval from the Kentucky Public Service Commission will be filed 6 months prior to the date of continuation. N

DATE OF ISSUE June 28, 2007 DATE EFFECTIVE: Service rendered on and after January 1, 2008

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

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Term

The Touchstone Energy Manufactured Home Program will remain in effect through the end of 2007-2009. If EKPC should decide to continue the rebate provision of the Program beyond 2004 or the entire program beyond 2007-2009, an application for approval from the Kentucky Public Service Commission will be filed 6 months prior to the date of continuation.

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