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David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Charles R. Borders  
Commissioner

September 20, 2011

## PARTIES OF RECORD

Re: Case No. 2011-00148

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Richard Raff at 502-564-3940, Extension 263.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director


RR/kar

Attachment

## INTER-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** Case File

**FROM:** Richard Raff, Assistant General Counsel 

**DATE:** September 20, 2011

**RE:** Case No. 2011-00148  
Filing of New Demand-Side Management Tariffs by East Kentucky Power Cooperative, Inc. and Eleven of its Member Distribution Cooperatives

Pursuant to a Commission Staff notice dated July 13, 2011, an informal conference was held at the Commission's offices on July 19, 2011 to discuss the proposed demand-side management tariffs. A list of the attendees is attached hereto.

The discussion focused on East Kentucky Power Cooperative, Inc.'s ("EKPC") proposed tariff Section DSM-4, Dual Fuel Program, which is intended to encourage and create an incentive for retail customers to replace existing resistance heating equipment with a combination heat pump/gas heat furnace. EKPC explained its role in developing a menu of DSM programs to offer to its 16 distribution cooperatives, with each cooperative then having the ability to analyze and select the specific programs that are determined to be best for their respective retail customers. Although five of EKPC's coops had not filed to adopt the proposed Dual Fuel Program, a couple of them indicated that the program had been under consideration and that no final decision had been made. Of the other 11 coops, 5 had filed to adopt and pass through to retail customers the full \$2,500 rebate received from EKPC, while the remaining 6 filed to adopt and pass through to retail customers rebates of less than the full \$2,500 received from EKPC.

Some of the coops stated that their respective service areas had relatively high levels of poverty and that large numbers of resistance heat units were being used in manufactured homes. Due to the high cost of installing a combination heat pump/gas heat furnace, the expectation was that this tariff would not result in any significant number of customers switching heating equipment. The lack of availability of natural gas in wide areas served by the coops was also mentioned, as was the reluctance of propane suppliers to be the source of back-up fuel for those times when a heat pump can not efficiently operate on electricity. EKPC indicated that after having further discussion of these issues with its coops, it was likely to file a request to withdraw the Dual Fuel Program.

Discussion was also held on EKPC's lack of a formal demand-side management surcharge and programs under KRS 278.285, and the difficulties in properly allocating costs through such a surcharge from EKPC's wholesale level to retail customers due to the lack of uniformity in wholesale and retail rate classifications and rate design.

Attachment

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

FILING OF NEW DEMAND-SIDE	)	
MANAGEMENT TARIFFS BY EAST KENTUCKY	)	CASE NO.
POWER COOPERATIVE, INC. AND ELEVEN	)	2011-00148
OF ITS MEMBER DISTRIBUTION	)	
COOPERATIVES	)	

July 19, 2011

Please sign in:

NAME	REPRESENTING
<u>RICHARD RAFF</u>	<u>PSC - LEGAL</u>
<u>DAVID SMART</u>	<u>FBT/EKPC</u>
<u>Ann Wood</u>	<u>EKPC</u>
<u>ISAAC SCOTT</u>	<u>EKPC</u>
<u>Bruce Aaron Davis</u>	<u>BSRECC</u>
<u>Jennie Phelps</u>	<u>Farmers RECC</u>
<u>Caralynne Wright</u>	<u>Farmers RECC</u>
<u>BILL PRATHER</u>	<u>FARMERS RECC</u>
<u>Mike Williams</u>	<u>Blue Grass Energy</u>
<u>Donald Smothers</u>	<u>" " "</u>
<u>Carol Hall Fraley</u>	<u>Grayson RECC</u>
<u>Patty Young</u>	<u>Clark Energy Coop.</u>
<u>Ann Beard</u>	<u>Taylor County RECC</u>
<u>Don Schaefer</u>	<u>Jackson Energy Cooperative</u>
<u>Carol Wright</u>	<u>Jackson Energy Cooperative</u>
<u>Bob RUSSELL</u>	<u>PSC - Financial Analysis</u>
<u>ELIE RUSSELL</u>	<u>PSC</u>

NAME	REPRESENTING
Jim Adkins	JAL
David Crews	EKPC
Allen Anderson	South Kentucky
Jeff Greer	South Kentucky
Stephen Johnson	South Kentucky
Tony Campbell	EKPC
Rebecca Witt	Owen Electric
Mike Cobb	Owen Electric
Debra Martin	Shelby Energy
Jim Jacobus	INTER-COUNTY ENERGY
Dany Newby	PSC
Chris Perry	FME
Kerry Howard	LVRECC
Robert Tolliver	Cumberland Valley
Nicky Raper	Salt River Electric
Ted Hampton	Cumberland Valley
Mickey Miller	NOLIN RECC