

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF EAST KENTUCKY	)	
POWER COOPERATIVE TO IMPLEMENT A	)	CASE NO.
NEW DEMAND-SIDE MANAGEMENT	)	2016-00056
PROGRAM	)	

ORDER

On December 30, 2015, East Kentucky Power Cooperative, Inc. ("East Kentucky") filed a new tariff sheet through the Commission's Electronic Tariff Filing System to add section DSM-11, Owner-Member Outdoor Lighting Program ("DSM-11"), to its tariff with a proposed effective date of February 1, 2016. By Order issued January 28, 2016, the Commission suspended DSM-11 for five months up to and including June 30, 2016. East Kentucky responded to the first requests for information ("First Request") from Commission Staff ("Staff"). On May 26, 2016, an informal conference ("IC") was held to discuss outstanding issues related to the case. There are no intervenors. The case now stands submitted for a decision based on the evidence in the record.

DSM-11 would offer incentives to East Kentucky's 16 member-owner cooperatives<sup>1</sup> to install light-emitting diode ("LED") outdoor lights for end-use

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<sup>1</sup> East Kentucky's 16 member-owner cooperatives are: Big Sandy Rural Electric Cooperative Corporation; Blue Grass Energy Cooperative Corporation; Clark Energy Cooperative; Cumberland Valley Electric; Farmers Rural Electric Cooperative Corporation; Fleming-Mason Energy; Grayson Rural Electric Cooperative Corporation; Inter-County Energy Cooperative; Jackson Energy Cooperative; Licking Valley Rural Electric Cooperative Corporation; Nolin Rural Electric Cooperative Corporation; Owen Electric Cooperative; Salt River Electric; Shelby Energy Cooperative ("Shelby"); South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"); and Taylor County Rural Electric Cooperative Corporation.

cooperative members. Under DSM-11, each member cooperative would be eligible to receive from East Kentucky a one-time incentive payment of \$70 for each new or retrofitted high-efficiency LED outdoor light installed for an end-use customer served by that member cooperative. The incentive amount of \$70 was chosen by East Kentucky's DSM Steering Committee, and reflects the additional capital cost to purchase an LED equivalent of a 100 watt high-pressure sodium ("HPS") fixture.<sup>2</sup> A member cooperative would receive the same \$70 incentive payment for any type of LED outdoor security light installed or retrofitted for that member-cooperative's customer. East Kentucky noted that approximately 190,000 lights would be eligible to receive a rebate under the program,<sup>3</sup> and evaluated the program under the assumption that approximately 10,000 lights per year would be replaced or retrofitted.<sup>4</sup> East Kentucky stated that when analyzing this program, it used the three-year time period of 2015-2017. For those three years, the program was estimated to cost approximately \$2,070,000, or about \$700,000 per year.<sup>5</sup> Approximately 97 percent of the annual cost to East Kentucky is due to the \$70 per light incentive payment, with the remaining 3 percent being administrative costs.

#### DISCUSSION

As proposed by East Kentucky, DSM-11 provides a \$70 incentive only to East Kentucky's cooperatives and not to the cooperatives' end-use members, who will ultimately make the decision on the type of outdoor lighting to install. The Commission

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<sup>2</sup> The vast majority of outdoor security lights installed by cooperatives are 100-watt HPS fixtures. East Kentucky's response to Staff's First Request, Item 2.a.

<sup>3</sup> East Kentucky's response to Staff's First Request, Item 11.

<sup>4</sup> *Id.*, Item 6.k.

<sup>5</sup> See East Kentucky's scenario testing included with its proposed DSM-11.

is concerned with this construct for several reasons. East Kentucky designed DSM-11 to “encourage the installation of LED luminaires for outdoor lighting applications.”<sup>6</sup> However, it seems unlikely that end-use customers will choose an LED light over other available lighting types absent some kind of incentive when the LED rate is higher than comparable non-LED lights. A review of East Kentucky’s member cooperatives’ lighting schedule tariffs on file with the Commission shows that several member cooperatives offer LED lights at a greater cost than similar HPS lights. In the instances in which the member cooperatives offer LED lights at rates that are lower than similar HPS lights, end-use customers have an incentive to choose the lower-priced LED lights without the need for a \$70 incentive to be paid to the member cooperative. In this instance, the cooperatives benefit from a lower power bill from East Kentucky as well as from the avoided operations and maintenance expense associated with the LED light. When Staff brought this issue to East Kentucky’s attention at the May 26, 2016 IC, East Kentucky responded that at the time DSM-11 was designed only one of its 16 cooperatives had an approved outdoor lighting tariff that included LED lights as an option.<sup>7</sup> Due to the initial lack of LED offerings among the cooperatives, East Kentucky was unaware if LED lighting rates would be higher or lower than those for similar non-LED lights.<sup>8</sup> Staff questioned whether East Kentucky considered any other ways DSM-11 could be designed to appropriately incent its member cooperatives as well as their end-use customers to install LED lights rather than non-LED lights. East Kentucky’s

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<sup>6</sup> East Kentucky’s response to Staff’s First Request, Item 5.j.

<sup>7</sup> See June 3, 2016 IC memo.

<sup>8</sup> *Id.*

consultant discussed the possibility of having two rebate programs—one providing an incentive to a member cooperative, and one providing an incentive to the end-use customer.<sup>9</sup>

The Commission is also concerned about a potential free-rider issue associated with two of East Kentucky's cooperatives. South Kentucky and Shelby have language in their Commission approved lighting tariffs regarding their intention to only offer LED lights prospectively. Shelby states in its tariff that "[a]ll new lights will be LED. High Pressure Sodium lights will be phased out upon failure and replaced with LED."<sup>10</sup> South Kentucky states in its tariff that, "[s]ince the seller intends to eventually provide only LED lighting fixtures, mercury vapor and sodium will be used only until present supply is exhausted or until the existing lighting configuration is retired."<sup>11</sup> Considering South Kentucky's and Shelby's tariff language regarding their intentions to offer only LED lights prospectively, irrespective of the \$70 incentive, East Kentucky's proposed DSM-11 would provide a rebate to these cooperatives unnecessarily.

The Commission recognizes the benefits that DSM programs provide to utilities and their customers. The Commission also recognizes that the goal of this program as stated by East Kentucky is to offer an incentive to accelerate the speed at which cooperatives install LED lights. However, due to the issues mentioned above, the Commission finds that the incentive structure of the proposed DSM-11 tariff will not appropriately accomplish that goal. The Commission believes that a main concern of customers when choosing an outdoor light is its cost, and that customers served by

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<sup>9</sup> *Id.*

<sup>10</sup> Shelby Tariff Sheet No. 322.

<sup>11</sup> South Kentucky Tariff Sheet No. T-15.

cooperatives having LED lights available at a cheaper rate than non-LED lights will have sufficient incentive to choose the LED light without the need for any additional incentive. For those customers where LED lights are more expensive than their non-LED alternatives, an incentive program seems more appropriate to encourage them to choose LED options.

The Commission finds that the proposed DSM-11 should be denied without prejudice for East Kentucky to re-file an LED outdoor lighting program which addresses the issues discussed above. The Commission invites East Kentucky to work with its member cooperatives and consultants, and to resubmit a new application for an outdoor lighting program if it chooses. Any future application should examine the amount of the incentive to be paid, who should receive the incentive, and whether an incentive is needed for each type of LED light.

IT IS THEREFORE ORDERED that the proposed DSM-11 tariff is denied without prejudice for East Kentucky to submit a new outdoor lighting program tariff should it choose to do so.

By the Commission

ENTERED
JUN 30 2016
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:



Acting Executive Director

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