COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF BIG RIVERS ELECTRIC CORPORATION TO REVISE CERTAIN DEMAND-SIDE MANAGEMENT PROGRAMS	)))	CASE NO. 2017-00278

ORDER

On June 30, 2017, Big Rivers Electric Corporation ("Big Rivers") filed revised tariff sheets, via the Commission's electronic Tariff Filing System, proposing to terminate two demand-side management ("DSM") programs and to revise one DSM program. Big Rivers proposes to terminate the following DSM programs: (1) DSM-05, Residential Weatherization Program ("DSM-05 Program"); and (2) DSM-10, Residential Weatherization Program – Primary Heating Source Non-Electric ("DSM-10 Program"). Big Rivers proposes revisions to DSM-13, Residential Weatherization A La Carte Program ("DSM-13 Program").

Big Rivers also filed revisions to its Tariff Sheet No. 2.01, updating the tariff Table of Contents and the listing of DSM programs on that tariff sheet to reflect the changes set forth in its revised tariff sheets. Big Rivers proposed an effective date of July 31, 2017, for the revised tariffs. Big Rivers submitted, via electronic mail, responses to two sets of clarifying questions sent by Commission Staff. The first set of responses was submitted on July 13, 2017, and the second on July 19, 2017.[1]

[1] The responses were attached as an Appendix to July 26, 2017 Order.

By Commission Order dated July 26, 2017, the Commission suspended the proposed effective date of Big River's DSM tariffs for five months, from July 31, 2017, up to and including December 30, 2017, and opened this proceeding to determine the reasonableness of the tariff revisions. There are no intervenors in this proceeding.

A telephonic informal conference ("IC") was held on November 16, 2017, at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky. In response to the IC, Big Rivers filed a letter on December 7, 2017, indicating that Big Rivers and its three Member Cooperatives would review their DSM programs over the next several months and would consider which programs should continue and which programs should be discontinued. Big Rivers also indicated that it and its Member Cooperatives would make tariff filings no later than June 30, 2018, detailing any DSM program changes. Big Rivers stated that it would also provide, no later than June 30, 2018, a plan to earmark the annual difference between its DSM expenditures for the programs that remain and the amount included in Big Rivers' base rates for DSM expenditures.

Big Rivers requests the Commission approve the proposed tariff changes because the contractor providing the weatherization services under the DSM-05 and DSM-10 tariffs has ceased providing those services, and Big Rivers has been unable to find a replacement.

The matter now stands submitted for a decision by the Commission based on the evidentiary record.

DISCUSSION

Big Rivers proposes to terminate the DSM-05 Program and the DSM-10 Program, which promote weatherization improvements for electric and non-electric homes, respectively. Big Rivers states that the termination is necessary because the contractor performing the weatherization work has notified Big Rivers that it would not continue absent a guaranteed minimum level of participation.[2] Unable to provide this guarantee, Big Rivers decided to terminate the two programs.

Big Rivers is proposing to revise the DSM-13 Program, which promotes a menu of weatherization options in conjunction with duct sealing for electric and non-electric homes through an approved contractor. The revisions will permit retail customers to receive incentives for duct sealing and weatherization improvements using their own contractor. The selected contractor's work is to be documented and must meet the standards of the Commonwealth of Kentucky's Department of Housing, Building, and Construction. Additionally, in an effort to increase participation, Big Rivers is proposing to double the incentives for duct sealing from a maximum of $500 to a maximum of $1,000 for an electric home-heating source and from a maximum amount of $250 to a maximum amount of $500 for a gas home-heating source, while maintaining the existing incentive levels for the other weatherization improvements.

Pursuant to the proposed DSM-13 tariff, the responsibility for contracting the work and applying for the incentives will shift to the customer-member. The customer-member will be responsible for all payments to the contractor. Any reimbursement by a Member-Cooperative, i.e., Jackson Purchase Energy Cooperative, Kenergy Corp.

[2] Cover Letter filed on June 30, 2017, in TFS 2017-00373.

("Kenergy"), or Meade County Rural Electric Cooperative Corporation ("Meade RECC"), to its retail customer will be limited as stated in the tariff.

Big Rivers indicated that the proposed increases in incentives for duct sealing could increase customer participation in weatherization initiatives, but that it had not conducted any formal study to predict the impact of the changes to participation levels. Big Rivers characterized the existing participation rate as strong for both the duct sealing and the other weatherization improvements provided under the current DSM-13 Program, part of which requires the customer-members to use their own contractor and to apply for incentives. Big Rivers also indicated that the future participation rate will primarily depend on the incentive levels, and that it would monitor those levels to determine whether additional incentive adjustments are necessary.[3]

Big Rivers indicated it provides an overall annual DSM budget of $1 million to its Member Cooperatives. The Member Cooperatives can adjust spending on incentives and promotions, depending on the participation rate in each program.[4] Kenergy and Meade RECC have submitted revisions to their tariffs as a result of the changes proposed in this case.

In support of the revisions to the Residential Weatherization A La Carte Program, Big Rivers filed a schedule showing the scores the revisions achieved on five standard tests used to determine the cost-effectiveness of DSM programs. Big Rivers provided none of the inputs used to calculate those test scores. Based on the significant level of excess generating capacity on the Big Rivers' system, any proposal to continue DSM

[3] Big Rivers' July 13, 2017 Responses.

[4] Big Rivers' July 19, 2017 Responses.

programs after June 30, 2018, other than low-income weatherization, needs to be supported by detailed analyses demonstrating the cost-effectiveness of each program, and should include an explanation of the inputs used in the analyses.

SUMMARY

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. Big Rivers' revisions to its DSM programs should be approved as proposed in its tariff filing, with the exception of the proposed increase in incentives for duct sealing under the DSM-13 Program. The past participation rate for this program has been strong and there is no evidence to support an increase in the incentive levels. Under these facts, the proposed increase in incentives for duct sealing is not reasonable and should therefore be denied.

2. Except for the proposed increase in incentives for duct sealing under the DSM-13 Program, Big Rivers' revised tariff language is reasonable and should be approved.

3. Big Rivers and its Members should review their DSM programs to determine which programs should continue and which programs should be discontinued and make a filing no later than June 30, 2018, reflecting any changes.

4. Big Rivers' existing level of excess generating capacity draws into question the reasonableness of any program that uses ratepayer funds to encourage reductions in consumption, which leads to revenue shortfalls and ultimately to further rate increases due to unrecovered fixed costs. Any DSM program proposed to be continued beyond June 30, 2018, and not limited to participation by low-income

customers should be supported by an analysis that reflects its current avoided costs and should demonstrate its cost-effectiveness for both participating and non-participating customers.

5. Big Rivers should provide to the Commission its plan to earmark the annual difference between its DSM expenditures for the programs that remain and the amount included in Big Rivers' base rates for DSM expenditures no later than June 30, 2018.

IT IS THEREFORE ORDERED that:

1. Big Rivers' DSM tariff revisions to increase the incentives for duct sealing under the DSM-13 Program are denied, and all other DSM tariff revisions are approved as of the date of this Order.

2. Within 20 days of the date of this Order, Big Rivers shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised DSM tariffs showing the date of their issue and that they were issued by authority of this Order.

3. No later than June 30, 2018, Big Rivers and its Members shall file with the Commission a tariff filing detailing any DSM programs to be continued, along with detailed cost support as discussed in the summary of findings above. No later than June 30, 2018, Big Rivers shall submit a plan to earmark the annual difference between its DSM expenditures for the programs that remain and the amount included in Big Rivers' base rates for DSM expenditures.

By the Commission

ENTERED

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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

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