

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DEMAND-SIDE MANAGEMENT FILING OF 15)	CASE NO.
OF EAST KENTUCKY POWER COOPERATIVE,)	2019-00060
INC.'S COOPERATIVES)	

ORDER

On January 30, 2019, Big Sandy Rural Electric Cooperative Corporation (Big Sandy RECC), Blue Grass Energy Cooperative Corporation (Blue Grass Energy), Clark Energy Cooperative, Inc. (Clark Energy), Cumberland Valley Electric, Inc. (Cumberland Valley Electric), Farmers Rural Electric Cooperative Corporation (Farmers RECC), Fleming-Mason Energy Cooperative, Inc. (Fleming-Mason Energy), Grayson Rural Electric Cooperative Corporation (Grayson RECC), Inter-County Energy Cooperative Corporation (Inter-County Energy), Licking Valley Rural Electric Cooperative Corporation (Licking Valley RECC), Nolin Rural Electric Cooperative Corporation (Nolin RECC), Owen Electric Cooperative, Inc. (Owen Electric), Salt River Electric Cooperative Corporation (Salt River Electric), Shelby Energy Cooperative (Shelby Energy), South Kentucky Rural Electric Cooperative Corporation (South Kentucky RECC), and Taylor County Rural Electric Cooperative Corporation (Taylor County RECC) (collectively, Distribution Cooperatives) filed proposed tariff sheets through the Commission's electronic Tariff Filing System setting forth deletions, revisions, and additions to the programs in their respective demand-side management (DSM) tariffs.

Each proposed tariff contained an effective date of March 1, 2019. On February 27, 2019, the Commission entered an Order that, with one exception, found the Distribution Cooperative's proposed tariffs to discontinue certain DSM programs to be reasonable, approved the tariffs, and allowed the programs to be discontinued as of March 1, 2019. The exception was for Salt River's proposal to discontinue its DSM-3(b), Direct Load Control Program – Commercial tariff, since Salt River's public notice stated that this tariff is being revised, not deleted. The Commission further found that an investigation is necessary to determine the reasonableness of the proposed revisions and additions to the remaining DSM programs. The Commission suspended the remaining tariffs for one day and allowed them to become effective on March 2, 2019, subject to change prospectively, and established a procedural schedule to review the reasonableness of the proposed tariffs. The Distribution Cooperatives responded to one round of discovery from Commission Staff. Clark Energy, Fleming-Mason Energy, Salt River RECC, and Taylor County RECC each responded to a second round of discovery. There are no intervenors in this proceeding. On May 24, 2019, the Distribution Cooperatives jointly filed a motion to submit the case for a decision based on the existing record. The case now stands submitted for a decision based on the evidentiary record.

DSM PROGRAM PORTFOLIOS

Each of the Distribution Cooperatives are owner-members of East Kentucky Power Cooperative, Inc. (EKPC), and their proposed tariff revisions are intended to mirror EKPC's proposed revisions to its DSM programs as filed in Case No. 2019-00059.¹ Concurrent with EKPC's application, 15 of EKPC's 16 owner-members filled

¹ Case No. 2019-00059, *East Kentucky Power Cooperative, Inc. DSM Tariff Filing* filed Feb. 27, 2019.

corresponding tariffs for their individual DMS programs. Each owner-member has the option to provide any or all of EKPC's DSM programs,² and EKPC reimburses each owner-member for all costs incurred in providing a DSM program offered by EKPC. The owner-member also can provide additional programs, such as energy audits or support for Electric Thermal Storage (ETS) programs but all costs associated with other programs are paid for by the individual owner-member.³

EKPC's DSM portfolio included 12 programs, and it proposed to discontinue five of them and revise six others. By Order entered on February 27, 2019 in Case No. 2019-00059, the Commission accepted EKPC's proposed tariffs to discontinue the following programs: (1) DSM-4c, Heating, Ventilation and Air Conditioning (HVAC) Duct Sealing Program; (2) DSM-5, Commercial & Industrial Advanced Lighting Program; (3) DSM-6, Industrial Compressed Air Program; (4) DSM-8, Appliance Recycling Program; and (5) DSM-9, ENERGY STAR® Appliances Program. By that same Order, the Commission allowed EKPC's six revised DSM programs to become effective on March 2, 2019, subject to change prospectively. The revised programs are as follows: (1) DSM-2, Touchstone Energy Home Program; (2) DSM-3a, Direct Load Control Program – Residential; (3) DSM-3b, Direct Load Control Program – Commercial; (4) DSM-4a, Button-up Weatherization Program; (5) DSM-4b, Heat Pump Retrofit Program; and (6) DSM-7, ENERGY STAR® Manufactured Home Program.

² See Case No. 2019-00059, EKPC DSM Filing, Memorandum to Member System CEOs.

³ See Owen Electric Cooperative, Inc. Response to Commission Staff Initial Request for Information, Item 2.

As discussed in today's Order entered in Case No. 2019-00059, EKPC preformed an extensive review of its DSM programs in 2018. This review included input from its DSM Steering Committee, a committee of EKPC and owner-member staff, and consultants for the purpose of reevaluating the cost-effectiveness and need for the existing DSM programs. For this evaluation, EKPC commissioned GDS Associates to conduct a cost-effectiveness review for all possible DSM program measures and retained a DSM programming expert, Mr. John Farley, to further evaluate the programs and assist in the proposed revisions. The results of this review, as well as recommended changes, were then presented to and approved by EKPC's executive leadership and the members-owners' chief executive officers.⁴

Each Distribution Cooperative's proposed changes to its current DSM programs are listed below:⁵

Big Sandy RECC

Big Sandy RECC proposes to revise the following DSM Programs:

- (1) DSM, Heat Pump Retrofit Program;
- (2) DSM-4a, Button-Up Weatherization Program;
- (3) DSM-3a, Direct Load Control Program – Residential;
- (4) DSM-3b, Direct Load Control Program – Commercial; and
- (5) DSM-2, Touchstone Energy Home.

⁴ *Id.*

⁵ See Case No. 2019-00059 for support for discontinuation of or modification to the DSM program. A program that is not listed for one of the Distribution Cooperatives but is listed for EKPC implies that the Distribution Cooperative does not offer that DSM program.

Big Sandy RECC also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.⁶

Blue Grass Energy

Blue Grass Energy proposes to revise the following DSM Programs:

- (1) DSM, Direct Load Control Program – Residential;
- (2) DSM, Direct Load Control Program – Commercial;
- (3) DSM-2, Touchstone Energy Home;
- (4) DSM, Button-Up Weatherization Program; and
- (5) DSM, Heat Pump Retrofit Program.

Blue Grass Energy also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.⁷

Clark Energy

Clark Energy proposes to revise the following DSM Programs:

- (1) DSM-2, Touchstone Energy Home;
- (2) DSM-3a, Direct Load Control Program – Residential;
- (3) DSM-3b, Direct Load Control Program - Commercial;
- (4) DSM-4a, Button-Up Weatherization Program; and
- (5) DSM, Heat Pump Retrofit Program.

⁶ Although this program is new for Big Sandy, it is an existing program under the EKPC DSM portfolio.

⁷ Although this program is new for Blue Grass Energy, it is an existing program under the EKPC DSM portfolio.

Clark Energy also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.⁸

Cumberland Valley Electric

Cumberland Valley Electric proposes to revise the following DSM Programs:

- (1) DSM Direct Load Control Program – Residential;
- (2) DSM Direct Load Control Program – Commercial;
- (3) DSM Button-Up Weatherization Program;
- (4) DSM Heat Pump Retrofit Program; and
- (5) DSM Touchstone Energy Home.

Cumberland Valley Electric also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.⁹

Farmers RECC

Farmers RECC proposes to revise the following DSM Programs:

- (1) DSM, Touchstone Energy Home;
- (2) DSM, Button-Up Weatherization Program;
- (3) DSM, Heat Pump Retrofit Program;
- (4) DSM, Direct Load Control Program – Residential; and
- (5) DSM, Direct Load Control Program – Commercial.

⁸ Although this program is new for Clark Energy, it is an existing program under the EKPC DSM portfolio.

⁹ Although this program is new for Cumberland Valley Electric, it is an existing program under the EKPC DSM portfolio.

Farmers RECC also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹⁰

Fleming-Mason Energy

Fleming-Mason Energy proposes to revise the following DSM Programs:

- (1) Touchstone Energy Home;
- (2) DSM, Direct Load Control Program – Residential;
- (3) DSM, Direct Load Control Program – Commercial;
- (4) DSM-2, Button-Up Weatherization Program;
- (5) DSM-3, Heat Pump Retrofit Program; and
- (6) DSM-7, Touchstone Energy Home Program.

Fleming-Mason Energy also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹¹

Grayson RECC

Grayson RECC proposes to revise the following DSM Programs:

- (1) DSM-2, Touchstone Energy Home;
- (2) DSM, Heat Pump Retrofit Program;
- (3) DSM-4a, Button-Up Weatherization Program;
- (4) DSM-3a, Direct Load Control Program – Residential; and
- (5) DSM-3b, Direct Load Control Program – Commercial.

¹⁰ Although this program is new for Farmers RECC, it is an existing program under the EKPC DSM portfolio.

¹¹ Although this program is new for Fleming-Mason Energy, it is an existing program under the EKPC DSM portfolio.

Grayson RECC also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹²

Inter-County Energy

Inter-County Energy proposes to revise the following DSM Programs:

- (1) DSM, Touchstone Energy Home Program;
- (2) DSM, Button Up Weatherization Program;
- (3) DSM, Heat Pump Retrofit Program;
- (4) DSM, Direct Load Control Program – Residential; and
- (5) DSM, Direct Load Control Program – Commercial.

Inter-County Energy also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹³

Licking Valley RECC

Licking Valley RECC proposes to revise the following DSM Programs:

- (1) DSM-2, Touchstone Energy Home Program;
- (2) DSM-3a, Direct Load Control Program – Residential;
- (3) DSM-3b, Direct Load Control Program – Commercial;
- (4) DSM-7, Button-Up Weatherization Program; and
- (5) DSM, Heat Pump Retrofit Program.

¹² Although this program is new for Grayson RECC, it is an existing program under the EKPC DSM portfolio.

¹³ Although this program is new for Inter-County Energy, it is an existing program under the EKPC DSM portfolio.

Licking Valley RECC also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹⁴

Nolin RECC

Nolin RECC proposes to revise the following DSM Programs:

- (1) DSM-2, Touchstone Energy Home Program;
- (2) DSM, Direct Load Control Program – Residential;
- (3) DSM, Direct Load Control Program – Commercial;
- (4) DSM-7, Button-Up Weatherization Program; and
- (5) DSM-8, Heat Pump Retrofit Program.

Nolin RECC also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹⁵

Owen Electric

Owen Electric proposes to revise the following DSM Programs:

- (1) DSM-2, Touchstone Energy Home Program;
- (2) DSM-3(a), Direct Load Control Program – Residential;
- (3) DSM-3(b), Direct Load Control Program – Commercial;
- (4) DSM-4, Button-Up Weatherization Program; and
- (5) DSM-7, Heat Pump Retrofit Program.

¹⁴ Although this program is new for Licking Valley RECC, it is an existing program under the EKPC DSM portfolio.

¹⁵ Although this program is new for Nolin RECC, it is an existing program under the EKPC DSM portfolio.

Owen Electric also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹⁶

Salt River Electric

Salt River Electric proposes to revise the following DSM Programs:

- (1) Schedule TEHP, Touchstone Energy Home Program;
- (2) Schedule Heat Pump Retrofit, Heat Pump Retrofit Program; and
- (3) DSM-3(a), Direct Load Control Program – Residential.

Shelby Energy

Shelby Energy proposes to revise the following DSM Programs:

- (1) DSM, Button-Up Weatherization Program;
- (2) DSM, Heat Pump Retrofit Program;
- (3) DSM, Touchstone Energy Home Program;
- (4) DSM, Direct Load Control Program – Commercial; and
- (5) DSM, Direct Load Control Program – Residential.

Shelby Energy also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹⁷

South Kentucky RECC

South Kentucky RECC proposes to revise the following DSM Programs:

- (1) Direct Load Control Program – DSM – Residential 3(A);
- (2) Direct Load Control Program – DSM – Commercial 3(B);

¹⁶ Although this program is new for Owen Electric, it is an existing program under the EKPC DSM portfolio.

¹⁷ Although this program is new for Shelby Energy, it is an existing program under the EKPC DSM portfolio.

- (3) Touchstone Energy Home – DSM-2;
- (4) Button-Up Weatherization Program – DSM-7; and
- (5) Heat Pump Retrofit Program – DSM-8.

South Kentucky RECC also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹⁸

Taylor County RECC

Taylor County RECC proposes to revise the following DSM Programs:

- (1) DSM-2, Touchstone Energy Home;
- (2) DSM-3a, Direct Load Control Program – Residential;
- (3) DSM-3b, Direct Load Control Program – Commercial;
- (4) DSM-7, Button-Up Weatherization Program; and
- (5) DSM-8, Heat Pump Retrofit Program.

Taylor County RECC also proposes to implement as a new DSM program the ENERGY STAR® Manufactured Home Program.¹⁹

DISCUSSION AND FINDINGS

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that, with one exception, the revisions and additions proposed by the Distribution Cooperatives are consistent with those approved today by the Commission for EKPC in Case No. 2019-00059 are reasonable and should be approved. The exception is Salt River's proposal to discontinue its DSM-3(b), Direct Load Control

¹⁸ Although this program is new for South Kentucky RECC, it is an existing program under the EKPC DSM portfolio.

¹⁹ Although this program is new for Taylor County RECC, it is an existing program under the EKPC DSM portfolio.

Program – Commercial tariff. EKPC and 15 of its 16 Distribution Cooperatives have proposed retaining that program with revisions to the type of equipment that is eligible to participate and the level of incentives provided to participants. The commercial load control DSM program is cost-effective for EKPC’s system and should be offered by all of its Distribution Cooperatives, including Salt River. For these reasons, Salt River should continue to offer this DSM program with revisions that mirror those approved for EKPC.

The wholesale electric base rates charged by EKPC to the Distribution Cooperatives include the cost of the DSM programs provided by the Distribution Cooperatives. Since EKPC recovers these costs through base rates rather than through a surcharge mechanism, there is no true-up mechanism or periodic updates to DSM expenditures. DSM costs include incentives, administration costs, and lost revenues. In EKPC’s last base rate case, Case No. 2010-00167,²⁰ the level for DSM expenditures embedded in base rates was \$6.0 million.²¹ Since that time, EKPC’s DSM expenditures increased to just over \$10.5 million in 2017,²² and with the changes approved today in Case No. 2019-00059, EKPC’s total DSM costs are estimated to decrease to \$4.6 million annually.²³ EKPC proposed no change in base rates in Case No. 2019-00059 to reflect the decreased level of DSM expenditures.²⁴

²⁰ Case No. 2010-00167, *Application of East Kentucky Power Cooperative, Inc. For General Adjustment of Electric Rates* (Ky. PSC Jan. 14, 2011).

²¹ See Case No. 2019-00059, EKPC’s Response to Staff’s First Request for Information, Item 6.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

In approving EKPC's revised DSM programs as reasonable, today's Order in Case No. 2019-00059 noted that including DSM costs in base rates does not allow for transparency to the owner-members' or to their retail customers and may result in subsidization between owner-members. For those reasons EKPC was ordered to file testimony in its next base rate case supporting the value of the DSM programs and reasons why DSM expenses should continue to be recovered in base rates and not in a rider specific to each owner-member. In addition, the Commission will require each owner-member to provide a statement in EKPC's next base rate case indicating whether it supports the recovery of DSM expenditures in base rates or in a rider specific to each owner-member, along with an explanation of the reasons for its preference .

COMMUNITY ASSISTANCE RESOURCES FOR ENERGY SAVINGS PROGRAM

The Community Assistance Resources for Energy Savings Program (CARES) is funded by EKPC, and it provides an incentive for weatherization and energy efficiency measures to the retail residential customers by Kentucky Community Action Agencies (CAA). A customer qualifies through the local CAA and is offered up to \$2,200 per household. Although EKPC and the Distribution Cooperatives did not submit any revisions to the CARES program, through discovery it was determined that four Distribution Cooperatives, Clark Energy, Fleming-Mason Energy, Salt River RECC, and Taylor County RECC do not offer CARES in their respective service territories. As to why these four do not offer this low-income weatherization program, each responded as follows:

- Clark Energy stated that the member system reached out to the local CAA and there was no follow up response by the local CAA.²⁵

- Fleming-Mason Energy responded that the program was discussed at length with the local CAA and it was determined that the local agency did not have any interest in CARES and has not inquired since.²⁶

- Salt River Electric responded that at the initial meeting, no representatives from the local CAA attended and that was perceived as a lack of interest.²⁷

- Taylor County RECC responded that they chose the programs that the utility believed would benefit their members the most and noted that the local CAA has not approached them.²⁸

The Commission supports programs designed to assist low-income residential customers and believes that an effort should be made with local CAA's to initiate and continue to examine paths and opportunities to assist qualifying customers. Therefore, the Commission finds that Clark Energy, Fleming-Mason Energy, Salt River Electric, and Taylor County RECC should take steps to initiate and engage in conversations with their local CAAs and encourage them to participate in this low-income residential program.

IT IS THEREFORE ORDERED that:

1. The proposed tariffs to revise existing DSM programs and to implement new DSM programs are approved.

²⁵ Clark Energy's. Response to Commission Staff Second Request for Information, Item 1.

²⁶ Fleming-Mason Energy's Response to Staff Second Request for Information, Item 1.

²⁷ Salt River Electric's Response to Staff's Second Request for Information, Item 1.

²⁸ Taylor County RECC's Response to Staff's Second Request for Information, Item 1.

2. Salt River Electric's proposal to discontinue its DSM-3(b), Direct Load Control Program – Commercial tariff is denied and Salt River shall revise that tariff to conform to the revisions approved for EKPC.

3. Each owner-member shall provide a statement in EKPC's next base rate case indication whether it supports the recovery of DSM expenditures in base rates or in a rider specific to each owner-member, along with an explanation of the reasons for its preference.

4. Within 20 days of the date of entry of this Order, each Distribution Cooperative shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the revisions approved herein and reflecting that it was approved pursuant to this Order.

5. The case is closed and removed from the Commission's docket.

By the Commission

ENTERED
NOV 26 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

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