

April 12, 2019

*Via Hand Delivery*

Ms. Gwen Pinson  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

RECEIVED  
APR 12 2019  
PUBLIC SERVICE  
COMMISSION

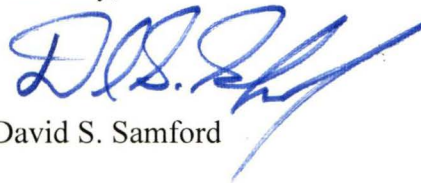
Re: *Demand-Side Management Filing Of East Kentucky Power  
Cooperative, Inc.* Case No. 2019-00059

Dear Ms. Pinson:

Enclosed, please find an original and four copies of the Responses to Commission Staff's Initial Request for Information dated March 28, 2019 and the motion for confidential treatment to be filed on behalf of East Kentucky Power Cooperative, Inc. in the above-styled docket. Please return a file-stamped copy of this filing to my office.

Should you have any questions or require additional information, please let me know.

Sincerely,



David S. Samford

Enc.

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED

APR 12 2019

PUBLIC SERVICE  
COMMISSION

**IN THE MATTER OF:**

<b>DEMAND-SIDE MANAGEMENT FILING OF EAST</b>	)	<b>CASE NO.</b>
<b>KENTUCKY POWER COOPERATIVE, INC.</b>	)	<b>2019-00059</b>

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**EAST KENTUCKY POWER COOPERATIVE, INC.'S**  
**MOTION FOR CONFIDENTIAL TREATMENT**

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Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, pursuant to KRS 61.878, 807 KAR 5:001, Section 13 and other applicable law, and for its Motion requesting that the Kentucky Public Service Commission ("Commission") afford confidential treatment to spreadsheets filed in response to a request for information in the above-captioned proceeding, respectfully states as follows:

1. The Commission issued its Order establishing this case on March 28, 2019 and included the initial set of requests for information to EKPC as an Appendix to that Order.
2. Request No. 8 from the March 28<sup>th</sup> request for information states as follows:  
  
*Refer to the application, Exhibit D. Provide a copy of the calculations in this exhibit in Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.*
3. In its response to Request No. 8, EKPC is providing a CD that contains multiple spreadsheets that are responsive to the request for information.

4. The spreadsheets being tendered by EKPC in response to Request No. 8 cannot be filed in redacted form in the public version of EKPC's filing due to the fact that the nature of the request requires all information in the spreadsheets to be available for inspection and review. Each spreadsheet reflects the output/results from the proprietary DSMore evaluation tool for the particular program and yields a standardized output product. Each spreadsheet contains certain tabs where the information and inputs include projections and forecasts used to evaluate program costs and benefits. Collectively, this information, which is critical to understanding and reviewing the spreadsheets, is hereinafter referred to as the "Confidential Information."

5. The Confidential Information contains extensive information that describes the business planning assumptions and critical, proprietary financial forecasts of EKPC with regard to evaluating the value and impact of various DSM programs. This information is commercially sensitive and proprietary.

6. The Confidential Information is retained by EKPC on a "need-to-know" basis and is not publicly available. If disclosed, the Confidential Information would give potential vendors and competitors significant insight into EKPC's modeling and forecasting processes, assumptions and outputs. The disclosure of such information and methods would create certain market advantages, which would likely translate into higher costs for EKPC and, by extension, detrimentally higher rates for EKPC's Members. Thus, disclosure of the Confidential Information would be highly prejudicial to EKPC, EKPC's Owner-Member Cooperatives and those owner-embers' End-Use Retail Members.

7. The Kentucky Open Records Act exempts the Confidential Information from public disclosure. *See* KRS 61.878(1)(c). As set forth above, disclosure of the Confidential Information would permit an unfair advantage to third parties. Moreover, the Kentucky Supreme Court has

stated, “information concerning the inner workings of a corporation is ‘generally accepted as confidential or proprietary.’” *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995). Because the Confidential Information is critical to EKPC’s effective execution of business decisions and strategy, it satisfies both the statutory and common law standards for being afforded confidential treatment. Indeed, the Commission has already recognized the confidential nature of the information included in the responses and has afforded confidential treatment to similar internal forecasting information in a prior proceeding.<sup>1</sup>

8. EKPC does not object to limited disclosure of the Confidential Information, pursuant to an acceptable confidentiality and nondisclosure agreement, to the Attorney General or any other intervenors with a legitimate interest in reviewing the same for the sole purpose of participating in this case.

9. In accordance with the provisions of 807 KAR 5:001, Section 13(2), EKPC is filing one copy of the Confidential Information separately under seal. The filing of the Confidential Information is noted in the public version of EKPC’s response to Request No. 8. Due to the pervasive nature of the confidential and proprietary information included in the Confidential Information, confidential treatment is sought for the entirety of the CD filed in response to Request No. 8.

10. In accordance with the provisions of 807 KAR 5:001, Section 13(3), EKPC respectfully requests that the Confidential Information be withheld from public disclosure for a period of ten years. This will assure that the Confidential Information – if disclosed after that time

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<sup>1</sup> See *In the Matter of the Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities and 5) All Other Required Approvals and Relief*, Order, Case No. 2017-00321 (Ky. P.S.C. May 3, 2018) (affording confidential treatment for twenty years to the information used as part of an internal forecasting resource).



– will be less likely to include information that continues to be commercially sensitive so as to impair the interests of EKPC if publicly disclosed. However, EKPC reserves the right to seek an extension of the grant of confidential treatment if it is necessary to do so at that time.

WHEREFORE, on the basis of the foregoing, EKPC respectfully requests the Commission to enter an Order granting this Motion for Confidential Treatment and to so afford such protection from public disclosure to the unredacted copies of Confidential Information, which is filed herewith under seal, for a period of ten years from the date of entry of such an Order.

This 12<sup>th</sup> day of April, 2019.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "David S. Samford", written over a horizontal line.

David S. Samford  
L. Allyson Honaker  
GOSS SAMFORD, PLLC.  
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(859) 368-7740  
david@gosssamfordlaw.com  
allyson@gosssamfordlaw.com

*Counsel for East Kentucky Power Cooperative, Inc.*

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

<b>DEMAND-SIDE MANAGEMENT FILING OF EAST</b>	)	<b>CASE NO.</b>
<b>KENTUCKY POWER COOPERATIVE, INC.</b>	)	<b>2019-0059</b>

**RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.  
DATED MARCH 28, 2019**

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

**DEMAND-SIDE MANAGEMENT FILING OF EAST )      CASE NO.**  
**KENTUCKY POWER COOPERATIVE, INC.      )      2019-00059**

**CERTIFICATE**

**STATE OF KENTUCKY    )**  
**)**  
**COUNTY OF CLARK     )**

Scott Drake, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Initial Request for Information in the above-referenced case dated March 28, 2019, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Scott Drake

Subscribed and sworn before me on this 12<sup>th</sup> day of April 2019.

Gwyn M. Willoughby  
Notary Public #590567

GWYN M. WILLOUGHBY  
Notary Public  
Kentucky – State at Large  
My Commission Expires Nov 30, 2021

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

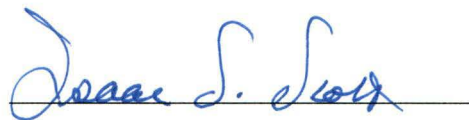
IN THE MATTER OF:

**DEMAND-SIDE MANAGEMENT FILING OF EAST ) CASE NO.  
KENTUCKY POWER COOPERATIVE, INC. ) 2019-00059**

**CERTIFICATE**

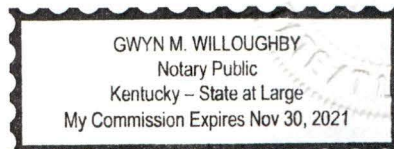
STATE OF KENTUCKY )  
  )  
COUNTY OF CLARK )

Isaac S. Scott, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Initial Request for Information in the above-referenced case dated March 28, 2019, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 12<sup>th</sup> day of April 2019.

  
Notary Public #590567



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 1**

**RESPONSIBLE PARTY: Scott Drake**

**Request 1.** Refer to page 36 of the Final Report (Report) prepared by GDS Associates Inc. (GDS), stating that Figure 5-4 illustrates a market segmentation of the achievable potential in the commercial sector by 2033. Explain why Food Service is listed as 11 percent in the paragraph that precedes Figure 5-4 and 5 percent in Figure 5-4.

**Response 1.** Figure 5-4 is correct. The achievable potential for Food Service is 5 percent. The preceding paragraph is incorrect. There was a typographical error in this paragraph. Rather than "Food Service (11%)", it should read "Office (11%)".

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 2**

**RESPONSIBLE PARTY: Scott Drake**

**Request 2.** Refer to EKPC's cover letter, page 1 of 4.

**Request 2a.** Provide the name of each member of the Demand-Side Management (DSM) Steering Committee and the name of the employer of each member.

**Response 2a.** Alan Coffey (South Kentucky RECC), Barry Drury (Blue Grass Energy), Caralyne Pennington (Farmers RECC), Charlie Pasley (Clark Energy), Chuck Filiatreau (Salt River Electric), Jared Routh (Shelby Energy), Dan Hitchcock (Inter-County Energy), John May (Licking Valley RECC), Joni Hazelrigg (Fleming-Mason Energy), Natasha Wiley (Big Sandy RECC), Rich Prewitt (Cumberland Valley), Rick Ryan (Nolin RECC), Sandy Painter (Jackson Energy), Scott Lawless (Owen Electric), Tina Preece (Grayson), Ann Beard (Taylor Co. RECC), Scott Drake (EKPC), Joe Settles (EKPC), Hank Smith (EKPC), Tom Castle (EKPC), Bill Blair (EKPC), Sha Phillips (EKPC), and Josh Littrell (EKPC).

**Request 2b.** Provide the meeting minutes of the DSM Steering Committee for the last 12 months.

**Response 2b.** The DSM Steering Committee met once in 2018. It has not yet met in 2019, so the minutes from the meeting that occurred in late 2018 have not been adopted and, therefore, cannot be produced. A copy of the fall 2018 Agenda is provided on page three of this response.

**Request 2c.** Explain what was required to achieve a consensus in order to recommend changes to EKPC's portfolio of DSM programs.

**Response 2c.** EKPC offers an ala-cart menu of DSM programs developed in conjunction with the owner-members. Although unanimous consensus is not required to create, change or eliminate DSM programs, the goal is to develop and offer only programs the majority of owner-members will offer their members. The majority of the owner-members offer all of the DSM programs to their members. In this case, the DSM Committee reviewed the recommended DSM program changes proposed by EKPC. The proposed changes were also reviewed by the owner-member CEOs. Approval was granted for the proposed changes.



## DSM Steering Committee Agenda

### Fall 2018

October 5, 2018

EKPC – West Veech Conference Room

#### AGENDA

9:30 am	Welcome and Safety Moment	Scott
9:35 am	Utility-centric Energy and Home Management John May home demo	Scott/Bill
10:00 am	Review of discontinuance/modifications CARES – unchanged TSE Home – modify Button-up – modify	Scott Josh Hank
10:45 am	Break	
11:00 am	Heat Pump Retrofit – modify ESMH – Modify Direct Load Control – modify	Scott Josh Stephanie/Scott
12:00 pm	Lunch (East Veech)	Nacho Bar
1:00 pm	Adjourn	

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 3**

**RESPONSIBLE PARTY: Scott Drake**

**Request 3.** Refer to the cover letter, page 3 of 4. EKPC states that the DSM program cancellation or modification recommendations were based on the Total Resource Cost (TRC) or Ratepayer Impact Measure (RIM) cost-effectiveness results.

**Request 3a.** Explain why other DSM cost-effective tests were not used.

**Response 3a.** EKPC uses the TRC and RIM tests to determine overall cost-effectiveness and the long-term impact on utility rates. The Participant Test (PT) and the Societal Test (ST) were also calculated for each program. Programs are designed so that the PT score is always above 1.0 (or not applicable in the case of programs where EKPC is covering all of the measurable costs). Therefore, the PT is not used to make the decision to cancel or modify the program. The ST is a variation of the TRC in that it uses a lower discount rate, which has the effect of increasing the net present value of the future energy and capacity benefits. For every EKPC program where the TRC test is below 1.0, the Societal Test is also below 1.0.

**Request 3b.** In several of the programs, EKPC is proposing to keep or modify the program when the TRC score is greater than one but the RIM score is less than one. Explain why EKPC chose to keep or modify the program when this occurred.

**Response 3b.** The TRC is considered the primary test for cost-effectiveness in a majority of states. The Commission has historically recognized the TRC as the primary test for evaluating DSM programs.<sup>1</sup> It has done so in IRP proceedings (including EKPC's filings since 2003) as well as DSM program approvals.

The RIM is almost always below 1.0 for energy efficiency programs. Lost retail revenues are calculated using the retail rate, while energy and capacity savings are calculated using market prices (avoided costs) at the wholesale level. The retail rates on average are higher than the market prices overall, and have been for many years.

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<sup>1</sup> See *In the Matter of: Elec. Investigation of the Reasonableness of the Conservation/energy Efficiency Program of Delta Nat. Gas Co., Inc.*, Order, Case No. 2018-00029 (Ky. P.S.C. June 28, 2018) (“The Commission typically evaluates DSM programs based on benefit-cost ratios calculated by utilizing the California Tests. While four separate tests comprise the California Tests, the Commission relies primarily on the Total Resource Cost Test.”); *In the Matter of: Tariff Application of Columbia Gas of Kentucky, Inc. to Continue Its Energy Efficiency Conservation Rider & Energy Efficiency Conservation Program*, Order, Case No. 2016-00107 (Ky. P.S.C. Oct. 11, 2016) (“Columbia provided results of cost-effectiveness tests (‘California tests’), which are widely used in the evaluation of DSM programs and set out in the California Standard Practice Manual. The California tests are the Participant Test, the Program Administrator Test, the Ratepayer Impact Measure, and the Total Resource Cost (‘TRC’) Test.”); *In the Matter of the Joint Application of Louisville Gas & Electric Company and Kentucky Utilities Company for the Review, Modification and Continuation of DSM Programs and Cost Recovery Mechanisms*, Order, Case No. 2000-00459 (Ky. P.S.C. May 11, 2001) (“California Tests are one of the industry standards used in the evaluation of the effectiveness of DSM programs and are used by Kentucky's jurisdictional electric utilities in the evaluations of DSM programs contained in their IRPs”).

Market prices for summer peak periods can be higher than retail rates. This is the case for DLC programs that control air conditioners and heat pumps during summer peak days. In this case, the RIM can be greater than 1.0.

TRC is utilized as the overall cost-effective test. RIM is reviewed as a data point for program decision-making. The DSM Steering Committee and the owner-member CEOs expressed a desire to retain cost-effective residential DSM programs scoring a TRC above 1.0 to assist members having high bills due to energy-inefficient housing. The DSM programs EKPC and the owner-members requested to keep or modify are designed to do just that. The DSM Steering Committee and the owner-member CEOs collectively considered the needs of the membership.

**Request 3c.** Explain why EKPC included the RIM test in its evaluation of cost effectiveness.

**Response 3c.** EKPC has included the RIM test to calculate the impact of DSM programs on long-term utility rates. When the RIM is below 1.0, lost revenues plus program costs are greater than the costs that are avoided by the program. These losses are absorbed by EKPC and its owner-members. The DSM Steering Committee and the owner-member CEOs collectively weighed the needs of the membership against slight upward pressure on long-term rates. New resources of all kinds (supply side as well as demand side) historically put upward pressure on overall rates.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 4**

**RESPONSIBLE PARTY: Scott Drake**

**Request 4.** Refer to the cover letter, page 4 of 4.

**Request 4a.** Provide an estimate of the number of customers per Owner Member that EKPC believes will have a legacy obligation and an estimate of the amount of time necessary to fulfill these obligations.

**Response 4a.** Refer to the enclosed CD, file "Response 4 – Legacy Obligations". This PDF file list customers having an open and/or pending approval DSM rebate applications, also called enrollments, which have been initiated in the EKPC DSM Rebate Tracking System. Those applications are listed per owner-member. An open application identifies an initiation by the member or owner-member energy advisor. The customers are required to fulfill tariff requirements prior to rebate application approval. EKPC expects most applications will be fulfilled in 6 months or at least by the end of the year. Additionally, EKPC's third-party vendors that pick up and recycle refrigerators and freezers, and verify ENERGY STAR Manufactured homes have advised EKPC of 12 pending appliance recycling pickups and 19 manufactured homes pending approval. All

potential obligations noted by the third-party implementers are for customers initiating actions with the third-party prior to the program effective dates of March 2, 2019.

**Request 4b.** Provide a breakdown, by program, of the requests or obligations for rebates, appliance pick-ups, or other program benefits that were initiated by retail members prior to the effective date of the changes in tariffs.

**Response 4b.** Refer to the enclosed CD, file “Response 4 – Legacy Obligations”. This PDF file shows a breakdown by program and an average financial obligation per open application if open applications are completed by the customers adhering to the appropriate tariff requirements. The financial obligation amounts per application is based on the average expense per application for the same program in 2018.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 5**

**RESPONSIBLE PARTY: Scott Drake**

**Request 5.** For each of the past five years, provide the number of customers, by member-company, that participated in each DSM program and the cost of each program.

**Response 5.** Refer to the enclosed CD, file "Response 5 – 2014-2018 DSM Program Reports All Co-ops" containing participation levels by owner-member and by DSM program for the years 2014, 2015, 2016, 2017, and 2018. Please note the totals listed in the attached summary are slightly different than the totals listed in the DSM Annual Reports in the original filing. This is a result of utilizing a different data system report to respond to this data request versus the data system report utilized for the DSM Annual reports. Also, there are timing and reporting standard issues. For example: a member applies for an ENERGY STAR Appliance Rebate in April 2019 but the installation date or date of the receipt was December 2018. From a DSM program energy savings standpoint, the rebate and associated energy savings should be applied to the year 2018. From an expense standpoint, the expense should be applied to 2019 because the 2018 budget and the 2018 DSM Annual Report are both completed and closed prior to April 2019. Due to issues



as described, the timing of rebate applications approvals can cause small shifts in the numbers when creating data reports now versus when the DSM Annual Reports were originally created.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 6**

**RESPONSIBLE PARTY:**           **Isaac S. Scott**

**Request 6.**           Refer to the memorandum dated January 30, 2019, from Anthony S. Campbell to the Member System CEOs. The memorandum summarizes the proposed DSM tariff changes and states that there will be no change in the rates charged for electric service to any customer class. Refer to page 3 of the cover letter in which EKPC states the annual 2017 expenditures were just over \$10.5 million, and EKPC now projects total DSM program expenditures to be \$3 million annually. Explain why EKPC is not proposing to decrease the rates it charges for electric service as a result of this \$7.5 million decrease in DSM expenditures.

**Response 6.**           Unlike several other utilities, EKPC recovers its DSM costs through base rates rather than through the surcharge mechanism established and authorized by KRS 278.285. The DSM surcharge mechanism recognizes current levels of DSM expenditures with periodic changes to the DSM surcharge rates, thereby tracking and adjusting a utility's DSM expenditures on an annual basis. EKPC does not desire to implement a DSM surcharge at this time.

The Commission traditionally has not adjusted base rates to reflect a change in a single category of expenses recovered through base rates outside of a base rate case proceeding because

a change in a single category of expenses does not generally affect the sufficiency of the utility's rates. The sufficiency of a utility's rates, as well as evaluating whether those rates continue to be fair, just, and reasonable, is a determination that is made as part of a base rate case application. The costs of DSM programs, including any changes in the program costs, are considered along with all other changes in operating revenues and expenses when evaluating a base rate case application.

Even without an adjustment to EKPC's base rates, the current proposal to modify its DSM programs is fair, just and reasonable. EKPC's last base rate case application was Case No. 2010-00167.<sup>1</sup> The total costs for DSM, conservation, and energy efficiency programs included in the proposed forecasted test period in that proceeding was \$6.0 million.<sup>2</sup> Thus, the level of DSM costs currently reflected in EKPC's base rates would be no more than \$6.0 million, not the 2017 annual expenditures of over \$10.5 million. In other words, EKPC's existing base rates are insufficient to recover the cost of the DSM programs in effect prior to the proposed changes. The \$4.5 million in DSM program costs in excess of the level reflected in EKPC's base rates, along with changes in the levels other revenues and expenses that are recovered in base rates, would have impacted EKPC's margins in the appropriate year and not impacted the rates charged for electric service.

In 2018 EKPC considered filing a base rate increase, to be effective in 2019. This request would have been necessary, even with the savings in DSM expenditures, if not for the changes in

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<sup>1</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for General Adjustment of Electric Rates*, Case No. 2010-00167, (Ky. P.S.C. Jan. 14, 2011).

<sup>2</sup> See Case No. 2010-00167, EKPC Response to Commission Staff's First Data Request dated May 14, 2010, Item 56(d).

the principal and interest savings and the key credit metrics which EKPC achieved as a result of opportunities created by the passage of the Farm Bill and the RUS refinancing pilot program. EKPC now believes its rates are sufficient to support acceptable credit metrics and financial performance, although they are insufficient to achieve the TIER target of 1.50. For this reason, the base rate increase has been postponed. EKPC proposed no change in its base rates in conjunction with this filing to reflect changes in the levels of DSM program expenditures, however, any reduction in base rates to reflect the decreased DSM program expenditures would be inconsistent with the rates approved in the 2010 rate case and would pressure EKPC towards considering a new rate case notwithstanding the benefits afforded by the Farm Bill and RUS refinancing pilot program.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 7**

**RESPONSIBLE PARTY:            Scott Drake**

**Request 7.**            Provide the 2018 DSM expenditures per program per member system.

**Response 7.**            Refer to the enclosed CD, file "Response 5 – 2014-2018 DSM Program Reports All Co-ops" for the 2018 DSM expenditures per program per owner-member. The 2018 information begins on page 69 of 85.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 8**

**RESPONSIBLE PARTY: Scott Drake**

**Request 8.** Refer to the application, Exhibit D. Provide a copy of the calculations in this exhibit in Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

**Response 8.** EKPC is providing the DSMore spreadsheets containing all data utilized to evaluate cost-effectiveness. Several spreadsheets of data per program are required to evaluate a program. The data spreadsheets are used by the DSMore program's proprietary algorithms to calculate the California Tests' cost-effectiveness results. Those algorithms or formulas are proprietary to DSMore. EKPC does not have access to those formulas.

These worksheets contain sensitive EKPC cost forecast data which EKPC is requesting confidential treatment. Due to the nature of the Excel spreadsheets, it is impossible to produce a non-confidential version to comply with the request without releasing confidential information. Thus, the entire spreadsheet must be provided on a confidential basis. A separate CD, marked "Confidential", that contains the DSMore spreadsheets is being provided herewith, along with a motion for confidential treatment.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 9**

**RESPONSIBLE PARTY: Scott Drake**

**Request 9.** Provide a detailed report from EKPC's consultant, John Farley, that includes the projected total cost savings from the proposed tariff changes

**Response 9.** Please see pages 2 through 8 of this response for Mr. Farley's report. For the purposes of this information request, cost savings are based on the difference between the 2017 Annual Report (provided in the response to Request 5) and the 2020 projected budget. The majority of the cost savings from the proposed tariff changes come from the elimination of programs.



# **Projected Total Cost Savings from changes to EKPC DSM Tariffs**

Submitted by:  
John F. Farley

John Farley Consulting LLC  
4613 N University Drive, #484  
Coral Springs, FL 33067

April 11, 2019

### Introduction

This report provides savings requests for two program categories: (1) programs that are being eliminated in the new tariffs; and (2) programs that are being modified in the new tariffs.

For the purposes of this information request, cost savings are based on the difference between the 2017 Annual Report (cited in Information Request 6) and the 2020 projected budget.

### Eliminated Programs

The majority of the cost savings from the proposed tariff changes come from the elimination of programs. Here are the cost savings that result from the elimination of programs:

**Table 9-A**  
**Cost Savings from eliminated programs**

Program eliminated	Cost Savings (Annual)
HVAC Duct Sealing	\$ 37,000
Commercial & Industrial Advanced Lighting	\$ 1,719,237
Industrial Compressed Air	\$ 18,113
Appliance Recycling	\$ 374,031
ENERGY STAR® Appliances	\$ 2,275,575
<b>TOTAL</b>	<b>\$ 4,423,956</b>

EKPC will not be doing any DSM advertising going forward. This is a cost savings of approximately \$ 250,000. However, this is not attributable to any tariff change.

### Modified Programs

What follows is an inventory of cost savings by program for programs with modified tariffs. There is a table for each program, followed by a discussion of the numbers.

#### 1. Touchstone Energy Home

**Table 9-B\_1**  
**Cost Savings from changes to Touchstone Energy Home Tariff**

2017 Total Costs (excluding fixed admin)	\$ 752,560
2020 Projected Total Costs (excluding fixed admin)	\$ 681,500
Cost Savings	\$ 71,060
Tariff changes that impact program costs	Efficiency target is more stringent
Share of Cost Savings attributable to tariff changes	100%
<b>TARIFF BASED COST SAVINGS</b>	<b>\$ 71,060</b>

#### Discussion.

The HERS score requirement has dropped from a 79 to a 75. This increases the savings per home from 2,566 kWh to 3,172 kWh per home. The lost revenue payment has increased from \$450 to \$500. However, the participation drops from 538 participants to 470 participants. It is expected that the more stringent HERS requirement will result in fewer homes participating. The net effect of all of these changes is a cost savings of \$71,060.

2. Direct Load Control

**Table 9-B\_2**  
**Cost Savings from changes to Direct Load Control Tariff**

2017 Variable costs	\$ 250,250
2020 Projected Variable costs	\$ 350,000
Cost Savings	(\$ 99,750)
Tariff changes that impact program costs	Remove water heater option Add BYOT option
Share of Cost Savings attributable to tariff changes	100 %
<b>TARIFF BASED COST SAVINGS</b>	<b>(\$ 99,750)</b>

**Discussion.**

In 2017, the number of new participants (switches) was 715.

In 2020, the number of new participants is projected to be 1,000.

Adding the BYOT option is expected to substantially increase the number of new residential air conditioning/heat pump participants. As a result, the variable program costs will increase.

3. Button-Up Weatherization

Table 9-B\_3

**Cost Savings from changes to Button-Up Weatherization Tariff**

2017 Total Costs (excluding fixed admin)	\$ 522,211
2020 Projected Total Costs (excluding fixed admin)	\$ 103,515
Cost Savings	\$ 418,696
Tariff changes that impact program costs	Measures removed
Share of Cost Savings attributable to tariff changes	100%
<b>TARIFF BASED COST SAVINGS</b>	<b>\$ 418,696</b>

**Discussion.**

The tariff removed all measures except air sealing and attic insulation. On the one hand, this change increases the savings per participant from 1,537 kWh to 3,987 kWh. As a result, the lost revenues payment to member cooperatives has increased from \$227 to \$565 per participant. The rebate to the customer has increased in similar fashion.

On the other hand, the participation drops from 786 participants to 67 participants. The most popular (but least cost-effective) measures are no longer offered in the program.

The net effect of all these changes is a cost savings of \$418,696.

**4. Heat Pump Retrofit**

**Table 9-B\_4  
Cost Savings from changes to Heat Pump Retrofit Tariff**

2017 Total Costs (excluding fixed admin)	\$ 2,457,327
2020 Projected Total Costs (excluding fixed admin)	\$ 1,317,400
Cost Savings	\$ 1,139,927
Tariff changes that impact program costs	Limiting number of incentives per participating home Adding the mini-split option
Share of Cost Savings attributable to tariff changes	64%
<b>TARIFF BASED COST SAVINGS</b>	<b>\$ 726,040</b>

**Discussion.**

The tariff changes reduce the kWh savings per participant from 9,164 to 6,706 kWh. The average variable cost per participant dropped from \$2,492 to \$1,607.

Participation in 2017 was 986 participants. The participation in 2020 is projected to be 820 participants. But the 986 participants in 2017 was significantly higher than 2016 or 2018.

To calculate the savings attributable to tariff changes, the 2017 costs were recalculated using 820 participants. The adjusted savings are \$726,040.

## 5. ENERGY STAR® Manufactured Home

**Table 9-B\_5**  
**Cost Savings from changes to ENERGY STAR® Manufactured Home Tariff**

2017 Total Costs (excluding fixed admin)	\$ 90,300
2020 Projected Total Costs (excluding fixed admin)	\$ 117,500
Cost Savings	(\$ 27,200)
Tariff changes that impact program costs	Lower rebates and lost revenues Incentive paid directly to retail member
Share of Cost Savings attributable to tariff changes	100%
<b>TARIFF BASED COST SAVINGS</b>	<b>(\$ 27,200)</b>

### Discussion.

Variable cost per participant falls from \$ 4,300 to \$ 2,200, Tariff changes to rebates and lost revenues account for this reduction.

However, the participation is projected to increase from 21 to 50. The change in the tariff to pay the incentive directly to the retail member is expected to increase participation.

Therefore, no cost savings are attributable to the tariff changes.

Here is a summary of the cost changes by program for modified programs:

**Table 9-B**  
**Cost Savings from modified programs**

Program modified	Cost Savings (Annual)
Touchstone Energy Home	\$ 71,060
Direct Load Control	(\$ 99,750)
Button-Up Weatherization	\$ 418,696
Heat Pump Retrofit	\$ 726,040
ENERGY STAR® Manufactured Home	(\$ 27,200)
<b>TOTAL</b>	<b>\$ 1,089,386</b>

**Conclusion**

The projected total cost savings from all programs is \$ 5,513,292. This includes both eliminated programs and modified programs. Please see Table 9-C below.

**Table 9-C**  
**Cost Savings from all programs**

Cost Savings attributable to programs eliminated	\$ 4,423,956
Cost Savings attributable to programs with modified tariffs	\$ 1,089,386
<b>GRAND TOTAL</b>	<b>\$ 5,513,292</b>



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 10**

**RESPONSIBLE PARTY: Scott Drake**

**Request 10.** Refer to the application. Provide the source data for all benefits and costs used to calculate the benefit/cost ratios for each DSM Tariff.

**Response 10.** Refer to the response to Request 8 and accompanying confidential CD, which is being provided subject to a motion for confidential treatment. Each workbook includes an assumption spreadsheet, entitled "Assumptions", that cites the source data that was used to calculate the benefit/cost ratios for each DSM Tariff. EKPC also used data from the "EKPC Energy Efficiency and Demand Response report" by GDS Associates, Inc., that was provided in the original filing. Assumptions sheets refer to the data used from this report.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 11**

**RESPONSIBLE PARTY: Scott Drake**

**Request 11.** Explain how the Participation numbers were estimated for each program.

**Response 11.** EKPC establishes a baseline using the last two program years of participation. Additionally, EKPC assessed the impact of the tariff changes on likely future participation. As an example, the addition of the Bring Your Own Thermostat option is expected to increase future participation in the DLC-Residential program. For more information, please see the response to Request 9.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 12**

**RESPONSIBLE PARTY: Scott Drake**

**Request 12.** Explain how Free Rider percentages were determined for each program.

**Response 12.** Where available, the Free Rider percentages were based on values used by neighboring utilities, particularly LG&E/KU. Other sources include the California PUC reports, and utility evaluation reports. For programs where no reports were readily available, EKPC estimated the free ridership based on knowledge of program performance and market conditions. Several programs have no free riders, because the nature of the program precludes free ridership. The program assumptions included in the spreadsheets provided in the response to Request 8, subject to a motion for confidential treatment, provide more information about Free Rider percentages.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 13**

**RESPONSIBLE PARTY: Scott Drake**

**Request 13.** Provide a copy of all marketing materials and brochures currently used to promote each DSM program that EKPC proposes to continue.

**Response 13.** EKPC has not developed any marketing materials or brochures to promote the DSM programs proposed for continuance at this time. Development of brochures and materials will commence upon final program approval from the Commission. For members requesting current program requirements and guidelines, they are updated and are available on [www.togetherwesaveky.com](http://www.togetherwesaveky.com).

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00059**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/28/19  
REQUEST 14**

**RESPONSIBLE PARTY: Scott Drake**

**Request 14.** Confirm that EKPC does not offer a DSM program targeted at Low Income Customers. If confirmed, explain whether EKPC has explored any DSM programs targeted at Low Income Customers.

**Response 14.** EKPC and the owner-members developed a low-income energy efficiency program called Community Assistance Resources for Energy Savings ("CARES"). Please find DSM-10 CARES located on Original Sheets Nos. 84 through 86 of EKPC's tariffs approved by the Commission on November 2, 2017.

CARES was not included in this DSM program filing because no changes to this program are being requested. Below is the CARES Program description as listed in the EKPC 2019 IRP – Exhibit DSM-5, Page 3 of 11.

## CARES Low-Income Weatherization Program

### **Program Description**

EKPC's Community Assistance Resources for Energy Savings (CARES) Low Income Program provides an incentive to enhance the weatherization and energy efficiency services provided to its residential retail members by the Kentucky Community Action Agency's (CAA) network of not for profit community action agencies.

EKPC and its owner-members provide an incentive to the CAA implementing the project on behalf of the retail member.

EKPC's program has two primary objectives. First, EKPC's incentive will enable the CAA to install more measures in each home. Second, the additional incentive from EKPC will assist CAA in weatherizing more homes.

Two types of homes are eligible for incentives:

Heat Pump Eligible Homes are single family or multi-family residential dwellings that use electricity for their primary source of heat. The EKPC incentive can be used to upgrade the home to an air source heat pump as well as to install weatherization improvements including insulation, air sealing, duct sealing, and a water heater blanket.

Heat Pump ineligible homes are single family or multi-family residential dwellings that do not use electricity for their primary source of heat, but do cool their home with central or window unit air conditioners. The EKPC incentive can be used to install weatherization improvements.

The maximum incentive per household is \$2,000.

### **Target Market**

The homeowner must be a residential retail member of one of EKPC's 16 owner-members.

The household must qualify for weatherization and energy efficiency services according to the guidelines of the Weatherization Assistance Program administered by the local CAA. Household income cannot exceed the designated poverty guidelines established by the CAA.