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Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
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David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Charles R. Borders  
Commissioner

November 29, 2011

David Estopp  
President and General Manager  
Big Sandy Rural Electric Cooperative Corporation  
504 Eleventh Street  
Paintsville, KY 41240

Dear Mr. Estopp:

In a filing received September 2, 2011, Jackson Energy Electric Cooperative Corporation ("Jackson Energy") submitted tariffs for five marketing or Demand-Side Management ("DSM") programs. Following Commission Staff review, an order was issued establishing the tariff filing as a formal case and suspending the proposed tariffs for a period of up to five months to allow the Commission to fully review the reasonableness of these tariffs.

After the Commission issued its suspension order, Jackson Energy requested an informal conference ("IC") to discuss several issues related to the suspension of the tariffs. A telephonic IC was held on October 31, 2011.

During the IC, Jackson Energy explained that, although untariffed, the programs in question had been in effect for a number of years (some for over 20 years). Jackson Energy further explained that its representatives attended an IC on July 19, 2011 in Case No. 2011-00148,<sup>1</sup> East Kentucky Power Cooperative, Inc.'s ("EKPC") recent DSM case in which a Commission Staff attorney generally stated, in response to the discussions at the IC, that "anytime money changed hands" as part of a DSM program, a tariff for the program should be on file. Jackson Energy stated that it submitted the subject tariffs as a result of the attorney's statement.

Now that it has been made aware that Jackson Energy's untariffed DSM programs have been in existence for a number of years, the Commission recognizes the possibility that other jurisdictional gas or electric utilities may have existing DSM programs that are not set out in filed tariffs.

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<sup>1</sup> Case No. 2011-00148, Filing of New Demand-Side Management Tariffs by East Kentucky Power Cooperative, Inc. and Eleven of its Member Distribution Cooperatives (Ky. PSC Sept. 30, 2011).

KRS 278.160 provides the foundation for the Commission's conclusion that any program that includes a charge to the customer, provides for any rebate or incentive payment to the customer or a third party, or allows for reduced or discounted rates must be supported by a tariff that sets forth the eligibility, charges, payments, and terms and conditions of the program. Therefore, the lack of tariffs for these DSM programs needs to be addressed.

Although there are several ways to address the situation, the Commission has taken into consideration the fact that many of the programs have been offered for a number of years and the likelihood that a number of customers participate in the existing programs. The Commission believes that the three-step approach set forth below is the most practical and equitable approach to take regarding the untariffed DSM programs and should provide for the uninterrupted continuation of such programs, subject to the review process discussed below.

The Commission will address the situation in the following manner:

1. Each jurisdictional electric utility and major gas utility is required to file a response within 60 days of the date of this letter stating whether it does or does not currently offer any DSM programs that are not set out in its filed tariffs. Each utility that does offer untariffed DSM programs shall include in its response the name of each program and a description of the program. At this time, there is no need to interrupt or suspend any current DSM program.

2. Upon submission of each utility's response disclosing untariffed DSM programs, each such program will be considered accepted until stated otherwise by the Commission. However, each affected utility is required to submit tariffs that set forth the eligibility, charges, payments, and terms and conditions for each untariffed DSM program within four months of the date of this letter.<sup>2</sup>

3. Upon filing, the tariffs will be reviewed, solely to ensure that they comply with Commission statutes and regulations. Tariffs that are in compliance will be accepted as filed. A review of the reasonableness of each such tariff, if required, will be performed in the utility's next base rate case or other appropriate proceeding. Since some of the programs have already been reviewed and approved, the Commission will provide reasonable notice of its intent to consider the reasonableness of any program.<sup>3</sup>

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<sup>2</sup> The cover letter submitted when filing the subject tariffs should reference this DSM letter dated November 29, 2011.

<sup>3</sup> Because of the requirements of KRS 278.285, the Demand-Side Management Surcharge Statute, the DSM programs offered by the electric Investor-Owned Utilities are reviewed and approved by the Commission at fairly regular intervals. It is, therefore, not anticipated that any later review of the reasonableness of the untariffed DSM programs will be required for those programs.

For some time now, the Commission, through various media, has consistently encouraged jurisdictional electric utilities to pursue greater implementation of DSM programs. On occasion, the Commission has expressed its concern about the apparent lack of effort in this area by some utilities. When the public or the Commission seeks information about the existence of DSM programs, the primary source for that information is the tariffs that each utility has on file here. The absence of filed tariffs reflecting current DSM programs may have created the perception that some jurisdictional utilities were not pursuing such programs as aggressively as other utilities.

The Commission reiterates its position that any program that includes a charge to the customer, provides for any rebate or incentive payment to the customer or a third party, or allows for reduced or discounted rates should be supported by a tariff that sets forth the eligibility, charges, payments, and terms and conditions. Although the Commission believes that the steps it has outlined are the most practical and equitable, it will consider appropriate modifications, if necessary.

Feel free to contact me or Aaron Greenwell of my Staff at 502-564-3940 if you have any questions or concerns.

Sincerely,

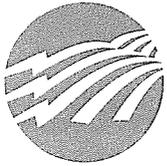


Jeff Derouen  
Executive Director

JD/pa

Good seeing you this morning!

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# Big Sandy Rural Electric Cooperative Corporation

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Mr. Jeff Derouen  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602

RECEIVED  
JAN - 3 2012  
PUBLIC SERVICE  
COMMISSION

RE: DSM Letter

Dear Mr. Derouen:

In response to the Commission's DSM letter dated November 29, 2011, please find enclosed for filing with the Commission an original and ten copies of the listing and description of Big Sandy RECC's untariffed DSM programs.

Please note that East Kentucky Power Cooperative, Inc. ("EKPC") is preparing its 2012 Integrated Resource Plan ("IRP"), which will be filed with the Commission in April 2012. New DSM programs are being evaluated and existing DSM programs may be modified. The listing and description of Big Sandy RECC's untariffed DSM programs reflect programs as they exist today. Big Sandy RECC plans to file tariffs on these programs as they exist today by late March, in accordance with the Commission's letter, as said programs will remain in effect until new or revised program tariffs are filed. Tariffs will be filed on new and revised DSM programs after the 2012 IRP is complete.

Please contact me if you have any questions.

Very truly yours,

David A. Estep  
President/General Manager  
Big Sandy Rural Electric Cooperative Corporation

Enclosure

## Response to Commission's DSM letter dated November 29, 2011

Big Sandy RECC currently offers DSM programs that are not set out in its filed tariffs. Please find below the name of each program, along with a description of said program.

### **Compact Fluorescent Lighting Program**

**Program Description:** This program provides compact fluorescent light bulbs to retail members at the annual meetings held by the distribution cooperatives each year. Each registered member receives a two-pack of compact fluorescent bulbs that replace two incandescent light bulbs. Big Sandy RECC pays approximately one-half the price for the compact fluorescent bulbs.

### **Button-Up Weatherization Program**

**Program Description:** The program requires the installation of insulation materials or the use of other weatherization techniques to reduce heat loss in the home. Any retail member who resides in a stick-built or manufactured home that is at least two years old and uses electricity as the primary source for heat is eligible. Big Sandy RECC has added an option to seal the envelope of the home. A blower door test is required to demonstrate the impact in kW demand reduction. An added incentive will be paid based on that reduction.

### **Tune-Up HVAC Maintenance Program**

**Program Description:** Program participants receive the following services:

- Clean indoor and outdoor heat exchanger coils;
- Check air filters;
- Measure the temperature differential across the indoor coil to determine proper compressor operation;
- Check the thermostat to verify operation and proper staging; and/or
- Seal the ductwork, either through traditional mastic sealers or with the *Aeroseal* duct-sealing program.

Duct losses are to be reduced to 10 percent or less. Duct loss measurement requires the use of a blower-door test and the blower-door subtraction method. Only contractors trained or approved by Big Sandy RECC may be used.

### **Air-Source Heat Pump Program**

**Program Description:** This program provides incentives for residential customers to replace their electric furnace, ceiling cable, or baseboard heat with a high efficiency air source heat pump. The furnace must be 10 years or older to qualify for incentives.

## **Energy Audits (residential and commercial)**

**Program Description:** Energy Audits are a free service offered by Big Sandy RECC. We make an appointment to come to our members' homes and point out areas where the efficiency of their home can be improved. A blower door is used to verify heat loss and heat gain. A trained energy advisor verifies the insulation amounts that are present in the home and makes suggestions on where improvements may need to be made in order to cut their annual heating and cooling costs. The heating and cooling system itself will be checked to make sure it is working correctly.



Steven L. Beshear  
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David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

March 14, 2012

David Estep  
Big Sandy Rural Electric Cooperative Corporation  
504 Eleventh Street  
Paintsville, KY 41240

Re: Untariffed DSM Programs

Dear Mr. Estep:

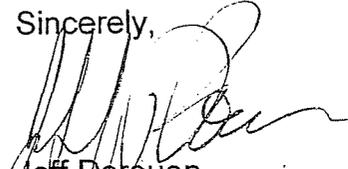
Each electric and gas utility was notified by Commission letter dated November 29, 2011 that any Demand-Side Management ("DSM") program that is offered but not set forth in a tariff must be filed in a tariff within four months of the date of the letter (March 29, 2012). The tariff must set forth the eligibility, charges, payments, and terms and conditions for each DSM program.

On March 9, 2012, representatives of the affected utilities and the Attorney General's Office participated in a conference with Commission Staff to discuss the tariff requirement. Staff indicated that each DSM program offered to customers must be in a tariff if the program includes any of the following: 1) a charge to the customer; 2) a rebate or incentive payment to the customer or a third party; or 3) reduced or discounted rates. At the end of the conference, Staff agreed to a 30 day extension of time for utilities to file the required DSM tariffs.

This letter is being sent to each electric and gas utility to serve as notice that the due date for filing tariffs covering untariffed DSM programs has been extended to Monday, April 30, 2012.

As Staff noted at the conference, any utility that wants to discuss any particular DSM program relative to the tariff requirement should contact Jim Wood to schedule a meeting. Otherwise, feel free to contact me or Aaron Greenwell of my Staff at 502-564-3940 if you have any questions or concerns.

Sincerely,



Jeff Derouen  
Executive Director

JD/ag

cc: Hon. Jennifer Hans  
Office of Attorney General  
Commonwealth of Kentucky