

Case No 2006-00547

December 12, 2006

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, KY 40602

RECEIVED
DEC 14 2006
PUBLIC SERVICE
COMMISSION

Re: East Kentucky Power Cooperative, Inc. Touchstone Energy Home Program –
Rate Schedule DSM-2

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission an original and ten copies of the Application of East Kentucky Power Cooperative, Inc., for a continuation of the rebate provision of the Touchstone Energy Home Program, which was originally approved by the Commission on January 14, 2004 in PSC Case No. 2003-00481.

Please date stamp the enclosed additional copy of this filing and return it to me in the enclosed postage paid envelope.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

DEC 14 2006

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR)
CONTINUATION OF THE TOUCHSTONE) CASE NO. 2006 - 00547
ENERGY HOME PROGRAM REBATE)

APPLICATION

1. Applicant, East Kentucky Power Cooperative, Inc., hereinafter referred to as "EKPC", Post Office Box 707, 4775 Lexington Road, Winchester, Kentucky 40392-0707, hereby files this Application for authority to continue the Touchstone Energy Home Program (the "Program") rebate provision through 2009.

2. This Application is made pursuant to KRS §278.285 and related statutes.

3. A copy of Applicant's restated Articles of Incorporation and all amendments thereto were filed with the Public Service Commission (the "Commission") in PSC Case No. 90-197, the Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity to Construct Certain Steam Service Facilities in Mason County, Kentucky.

4. Attached as Applicant's Exhibit I is the Prepared Testimony of Jeffrey E. Hohman, EKPC Manager of Marketing and Natural Resources, which explains EKPC's history with the Touchstone Energy Home Program which was approved by the Commission in its order dated January 14, 2004 in PSC Case No. 2003-00481, and the need to extend the rebate provisions, which currently expire at the end of 2006.

5. EKPC is hereby requesting approval to revise its Touchstone Energy Home Program tariff to extend the rebate provisions through the end of the Program, which is

currently scheduled to expire at the end of 2009. EKPC acknowledges that Tariff Sheet DSM-2 specifies that a filing for approval of the continuation of the rebate provision would be made by June 30, 2006 in order to extend rebates beyond December 31, 2006, and that such filing was not made. EKPC believes that the rebates are a critical aspect of this effective and successful Program, and desires to resume the rebate payments as quickly as possible. EKPC requests expedited review of this application, and approval to resume the rebate payments on or before June 1, 2007.

6. Attached as Applicant's Exhibit II is a revised tariff sheet for EKPC's Section DSM-2 Rate Schedule, showing the proposed changes.

WHEREFORE, Applicant respectfully requests the Commission to approve the proposed tariff revision to authorize the continuation of the Touchstone Energy Home Program rebate provisions through the end of 2009.

Respectfully submitted,

DALE W. HENLEY



CHARLES A. LILE

ATTORNEYS FOR EAST KENTUCKY
POWER COOPERATIVE, INC.
P. O. BOX 707
WINCHESTER, KY 40392-0707
(859) 744-4812

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PREPARED TESTIMONY OF JEFFRY E. HOHMAN
ON BEHALF OF
EAST KENTUCKY POWER COOPERATIVE, INC.

Q. Please state your name and address.

A. My name is Jeffry E. Hohman and my business address is 4775 Lexington Rd., Winchester, Kentucky 40392.

Q. By whom are you employed and in what capacity?

A. I am employed by East Kentucky Power Cooperative, Inc. ("EKPC") as Manager of Marketing and Natural Resources.

Q. As background for your testimony, please briefly describe your educational background and work experience.

A. I graduated from Murray State University, Murray, Kentucky with a Bachelor's Degree in Biology. My work experience began as a Chemist/Biologist with EKPC in the Environmental Affairs Department. I was subsequently promoted to Supervisor of EKPC's Central Laboratory in 1989 and became Manager of Natural Resources in 1999. I assumed my current position in May 2003.

1 **Q Please explain the history of EKPC's Touchstone Energy Home**
2 **Program (the "Program").**

3 A. The Public Service Commission (the "Commission") approved the
4 Program in January 2004 in PSC Case No. 2003-00481. The Program was
5 designed to encourage the construction of energy efficient homes. The
6 Program requires that these new homes meet Energy Star standards set
7 forth by the U.S. Department of Energy. EKPC's program, as approved
8 by the Commission, allows for Member Systems to offer a rebate of up to
9 \$500 per home with EKPC matching the offered amount, up to a total
10 rebate for the customer of \$1,000. The Touchstone Energy Home and
11 rebate provision program has been in operation since the spring of 2004
12 and has proven to be popular with customers.

13 **Q. Why is EKPC requesting an extension of the rebate provisions of the**
14 **Program?**

15 A. As indicated in our original filing, the incremental cost of a Touchstone
16 Energy Home is over \$2,000 higher than a conventional home. The rebate
17 program has helped mitigate the increased up-front cost to consumers and
18 reduces the payback period of the investment in the Touchstone Energy
19 Home. In order to continue making progress in the promotion of energy
20 efficient homes, EKPC and its Member Systems believe that the rebate
21 program offers the best opportunity to succeed.

22
23

1 **Q. Has the program been successful?**

2 A. Yes. The program has proven to be very successful. The number of
3 participants has grown from 44 as of the end of 2004 to a total of 175 as of
4 the end of 2005. Through September 2006 another 160 customers have
5 purchased Touchstone Energy Homes, resulting in a total of 335
6 participants in about 2½ years. It has been our experience that the up-
7 front incentives can be a deciding factor in the ultimate decision-making
8 process of new homebuyers, and the rebate provision encourages new
9 homebuyers to more strongly consider the highly efficient Touchstone
10 Energy Home.

11 **Q. Have you prepared an Exhibit that reflects EKPC’s proposed change**
12 **to the program?**

13 A. Yes. Exhibit II to the Application is a proposed Tariff sheet which
14 incorporates the extension of the rebate provision through the end of
15 2009. Page 2 of the Exhibit is the redline version of the Tariff change.
16 All aspects of the proposed Tariff remain the same except for the
17 extension of the rebate provision.

18 **Q. What is the proposed effective date for the continuation of the**
19 **rebates?**

20 A. EKPC acknowledges that Tariff DSM-2 specified a June 30, 2006 filing in
21 order to allow time for Commission review and approval of an extension
22 of the rebate program and that such a filing was not made. EKPC and its
23 Member Systems believe that the rebate program is very helpful in

1 encouraging the purchase of high efficiency homes and would like to
2 resume the rebate program as quickly as possible. As a result, EKPC is
3 requesting an effective date of on or before June 1, 2007.

4 **Q. Does this conclude your testimony?**

5 A. Yes.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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ENERGY HOME PROGRAM REBATE)

AFFIDAVIT

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Jeffrey E. Hohman, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.

Jeffrey E. Hohman

Subscribed and sworn before me on this 12th day of December, 2006.

Deanna S. Duffin
Notary Public

My Commission expires:

December 8, 2009

For All Counties Served
P.S.C. No. 29
First Revised Sheet No. 24
Canceling PSC No. 29
Original Sheet No. 24

EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM - 2

Touchstone Energy Home Program

Purpose

The Touchstone Energy Home Program is a conservation program that encourages the sale of more energy-efficient homes. It is based on *Energy Star* standards for homes, a nationally recognized symbol of energy efficiency and quality developed and operated jointly by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE).

Availability

This program is available in all service territory served by EKPC.

Eligibility

To qualify as a Touchstone Energy Home under EKPC's program, the participating home must be located in the service territory of a participating Member System and meet the *Energy Star* standards by including additional floor, wall and ceiling insulation, double pane windows and an electric heat pump.

Rebate

EKPC and its Member Systems will provide an incentive to retail customers to build or purchase a Touchstone Energy home. Member System Cooperatives may elect to offer a rebate of up to \$500 for each participant. EKPC will match the rebate offered by the member system cooperative up to a maximum of \$500, resulting in a maximum rebate of \$1,000 for each participant. Rebates will be paid to each participant upon written certification that the newly constructed home has met the *Energy Star* standards.

Annual Reports

EKPC will submit annual reports on the Program that contain the number of participants from each Member System, the annual costs, including the costs of the rebates, and the status of the rebate provision. EKPC will file the first report by June 30, 2005, and annually thereafter.

Term

The Touchstone Energy Home Program will remain in effect through 2009. If EKPC should decide to continue the program beyond 2009, an application for approval from the Kentucky Public Service Commission will be filed 6 months prior to the date of continuation.

DATE OF ISSUE December 12, 2006 DATE EFFECTIVE: Service rendered on and after June 1, 2007

ISSUED BY Ray M. Falk TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

For All Counties Served
P.S.C. No. 29

First Revised Sheet Original Sheet No. 24

Canceling PSC No. ~~2829~~

Original Sheet No. 24

EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM - 2

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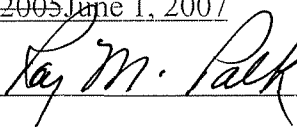
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Term

The Touchstone Energy Home Program will remain in effect through 2009. If EKPC should decide to continue the rebate provision of the Program beyond 2006 or the entire program beyond 2009, an application for approval from the Kentucky Public Service Commission will be filed 6 months prior to the date of continuation.

DATE OF ISSUE ~~June 7, 2005~~ December 12, 2006 DATE EFFECTIVE: Service rendered on and after June 1, 2005 June 1, 2007

ISSUED BY  TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2004-00464 Dated May 24, 2005