

2009.00249

KENTUCKY · OHIO · INDIANA · TENNESSEE · WEST VIRGINIA

Mark David Goss (859) 244-3232 MGOSS@FBTLAW.COM

June 30, 2009

JUN 30 2009
JUN 30 2009
FLAND SERVICE
COMMISSION

## Via Hand-Delivery

Mr. Jeffrey Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

Re: East Kentucky Power Cooperative, Inc. Touchstone Energy Manufactured Home Program – Rate Schedule DSM-1

Dear Mr. Derouen:

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 through the end of 2011 of the Touchstone Energy Manufactured Home Program, which was originally approved by the Commission on November 8, 2002 in PSC Case No. 2002-00313.

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

Sincerely yours,

Mark David Goss

Enclosures

Lexington, Kentucky 40507-1749

BEFORE THE PUBLIC SERVICE COMMISSION ... a 20000

#### In the Matter of:

THE APPLICATION OF EAST KENTUCKY	)
POWER COOPERATIVE, INC. FOR	) anda
POWER COOPERATIVE, INC. FOR CONTINUATION OF THE TOUCHSTONE ENERGY MANUFACTURED HOME	) CASE NO. 2009- UUAT 1
ENERGY MANUFACTURED HOME	)
PROGRAM	)

#### 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 Manufactured Home Program (the "Program") through 2011.
  - 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 Jeffry E. Hohman, EKPC Manager of Member Services. Mr. Hohman's testimony explains EKPC's history with the Program, which was approved by the Commission in its order dated November 8, 2002 in PSC Case No. 2002-00313, and also explains the need to extend the Program in the context of the factors which are to be employed in determining

the reasonableness of demand-side management plans as contained in KRS 278.285 (1). The current Program expires at the end of 2009.

5. Attached as Applicant's Exhibit II is a revised tariff sheet for EKPC's Section DSM-1 Rate Schedule, showing the proposed changes.

WHEREFORE, Applicant respectfully requests the Commission to authorize the continuation of the Touchstone Energy Manufactured Home Program through 2011.

Respectfully submitted,

Mark David Goss

Frost Brown Todd LLC

250 West Main Street, Suite 2800

Lexington, KY 40507- 1749

(859) 23 1-0000 - Telephone

(859) 23 1-001 1 - Facsimile

Counsel for East Kentucky Power Cooperative, Inc.

	COMMONWEALTH OF KENTUCKY	
	BEFORE THE PUBLIC SERVICE COMMISSION RECEIVED	)
	JUN <b>3 0</b> 2009	
In the Ma	tter of:  PUBLIC SERVICE COMMISSION	:
PO CO EN	E APPLICATION OF EAST KENTUCKY WER COOPERATIVE, INC. FOR ONTINUATION OF THE TOUCHSTONE ERGY MANUFACTURED HOME OGRAM OGRAM OGRAM OGRAM OGRAM	
	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 Member Services.	
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 became	

Manager of Marketing and Natural Resources in May 2003 and assumed 1 my current position in June 2007. 2 Q Please explain the history of EKPC's Touchstone Energy 3 Manufactured Home Program (the "Program"). 4 The Public Service Commission (the "Commission") approved the 5 A. Program in November 2002 in Case No. 2002-00313. The Program was designed to encourage the sale of energy efficient manufactured homes 7 that meet the Energy Star standards developed by the U.S. Environmental 8 Protection Agency and the U.S. Department of Energy. The Program includes a one-time \$250 rebate to participating Member 10 Systems from EKPC upon written confirmation that retail customers have 11 12 purchased newly constructed manufactured homes that meet the Energy Star standards. In 2004, the Commission authorized a continuation of the 13 rebate part of the Program through 2007. On February 28, 2008, the 14 Commission authorized a continuation of the program through 2009. 15 16 Q. Has the Program been successful? The Touchstone Energy Manufactured Home Program has had limited A. 17 success. During the period 2004-2006, the Program had a total of 11 18 participants. During the period from 2007 to the present, EKPC has had a 19 total of 2 participants. 20 Why has the Program had limited success? 21 Q. A. The challenges associated with providing energy efficient manufactured 22 housing is a national challenge. EKPC has worked with numerous 23

manufactured housing retailers in Kentucky to try to provide an incentive for the purchase of an Energy Star or energy efficient manufactured home. In the past, manufactured home retailers have had a very limited supply, if any, on their lots. Their goal is to sell manufactured homes and, according to the retailers, there has been little demand for this product. Rising energy costs are beginning to get the attention of both the buyer and the seller in this market. Marketing campaigns that included incentives to the seller and the buyer have not produced the desired results. New marketing material and brochures were developed in 2003 and have been made available to customers of EKPC's Member Systems since 2004. Moving forward, EKPC will continue to offer this program, if approved, because it is in the best interest of our members.

## Q. Why, then, does EKPC wish to continue the Program?

A.

Increased energy costs continue to generate more interest in energy savings. EKPC is finally beginning to see more energy efficient or Energy Star Manufactured Homes on the sales lot. As indicated above, customers in the manufactured home business are sensitive to the up-front price of the product compared to the on-going operational savings. A continuation of the Program (with rebates) will enable EKPC and its Member Systems to have the opportunity to reduce the up-front cost of the purchase and allow the opportunity for improved sales.

EKPC and its Member Systems believe that the future of manufactured homes must include energy efficiency. Historically, these homes have had

1		high energy costs and limited buyer education. EKPC and its Member
2		Systems believe that a blend of incentives and renewed buyer education
3		are the keys to future success.
4		Manufactured homes comprise a significant portion of homes in our
5		Member Systems' service territories. Consequently, potential
6		manufactured home buyers should continue to be offered the opportunity
7		to benefit from energy efficiency over the long run. Extending the
8		Program (with rebates) will increase the likelihood of customers attaining
9		these benefits while at the same time helping EKPC and its Member
.0		Systems improve energy efficiency.
1		Moreover, extension of the Program until the end of 2011 is consistent
12		with EKPC's companion Touchstone Energy Home Program.
13	Q.	Is the Program designed to encourage changes in a customer's
14		consumption patterns?
15	A.	Yes. The Program is designed to encourage new construction of energy
16		efficient homes. It is estimated that incorporating Energy Star standards
17		into construction can save the member as much as 30 percent each month
18		on their electric usage.
19	Q.	Is this Program consistent with all aspects of EKPC's 2009 Integrated
20		Resource Plan ("IRP")?
21	A.	Yes. This Program continues to support the goals set forth in the 2009
22		IRP to delay baseload and offset peaking units. The Program descriptions
23		are found in the 2009 IRP appendix page DSM-75 (TEMH).

1	Q.	Does this Program result in any unreasonable prejudice or
2		disadvantage to any customer class?
3	A.	No. This Program is easily available and affordable for members
4		purchasing new homes. EKPC is beginning to see more Energy Star
5		Manufactured Homes on the sales lot.
6	Q.	Do EKPC and its Member Systems plan to change its marketing
7		efforts for the Program?
8	A.	Yes. In the past EKPC focused its efforts to provide incentives paid to
9		manufacturers, sellers, and homebuyers based strictly on the requirement
10		that the manufactured home met all Energy Star standards. This approach
11		has not resulted in a significant level of sales of Touchstone Energy
12		Manufactured Homes. Beginning in 2007, EKPC offered incentives on a
13		two-part basis. Customers that installed an energy efficient heat pump that
14		met minimum Energy Star standards instead of an inefficient furnace were
15		offered a rebate of up to \$150. Customers that purchased a manufactured
16		home that met all Energy Star standards received a rebate of up to \$250.
17		Moving forward, EKPC plans to continue those same rebates and conduct
18		joint consumer education seminars with both buyers and retailers. If
19		necessary, new materials will be developed highlighting the benefits of an
20		energy efficient manufactured homes.
21	Q.	Has EKPC partnered with any other entities in educating
22		manufactured home retailers?

1	A.	Yes. Exhibit JEH-1 is a PowerPoint presentation that EKPC is currently
2		using to educate manufactured housing retailers in Kentucky. This is
3		being done in conjunction with the Kentucky Department of Energy
4		Development and Independence.
5	Q.	Have you prepared an Exhibit which reflects EKPC's proposed
6		changes to the program?
7	A.	Yes. Exhibit II to the Application is a proposed Tariff sheet which
8		incorporates the extension of the Program through the end of 2011. Page
9		2 of the Exhibit is the redline version of the Tariff changes.
10	Q.	Would you please describe the changes that are being made to the
11		Rebate section of the tariff?
12	A.	There are no changes being proposed at this time.
13	Q.	Does this conclude your testimony?
14	A.	Yes.

## COMMONWEALTH OF KENTUCKY

## BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	
THE APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR CONTINUATION OF THE TOUCHSTONE ENERGY MANUFACTURED HOME PROGRAM REBATE	) ) ) ) ) ) ) ) ) ) ) ) ) ) ) ) ) ) )
<u>A F F I D A V I '</u>	<u>r</u>
STATE OF KENTUCKY )	
COUNTY OF CLARK )	
Jeffry E. Hohman, being duly sworn, states that h	ne has read the foregoing
prepared testimony and that he would respond in the same	ne manner to the questions if so
asked upon taking the stand, and that the matters and thin	ngs set forth therein are true and
correct to the best of his knowledge, information and bel	ief.
	John E. Holme
Subscribed and sworn before me on this $29\%$	lay of June, 2009.
Note	early Public
My Commission expires:	cember 8 2009





# ENERGY STAR for Homes

## Lee Colten

Kentucky Department for Energy Development and Independence March 17, 2009



## Outline



- Energy background
- □ What is ENERGY STAR?
- □ How ENERGY STAR can help sell homes
- ENERGY STAR support resources





## Thanks to



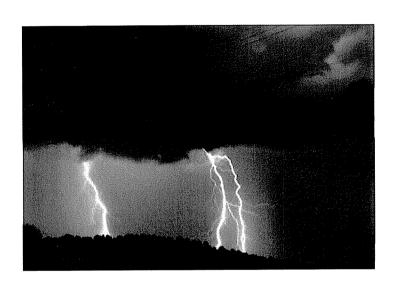
- Kentucky Manufactured Housing Institute provides training and leadership on critical issues to Kentucky industry
- Manufactured Housing Research Alliance— MHRA facilitates the ENERGY STAR factory built housing initiative, coordinates between all the program supporters, assists in the marketing effort, provides quality assurance
- US Environmental Protection Agency—sets the rules, monitors the program, funds and directs the national marketing campaign

Exhibit JEH-1 Page 3 of 24

# There's a storm brewing



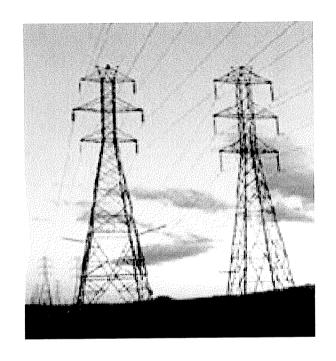
- Increased costs
  - Recession
  - Unpredictable energy market
    - Oil prices up, then down
    - Coal prices up, then down
- Energy capacity
  - Aging grid and plants
  - Rising electricity demand
    - Need for more generation capacity
- National energy security
- Global climate change



# Kentucky uses lots of electricity



- Kentucky ranks third in nation for energy usage (kWh/customer) because of low prices (36% lower than national average)
- However, the average electric bill is only 6% lower than the national average.
- Lesson: Our prices are cheap and we like it!
- □ Electric prices in Kentucky have risen about 30% since the year 2000.

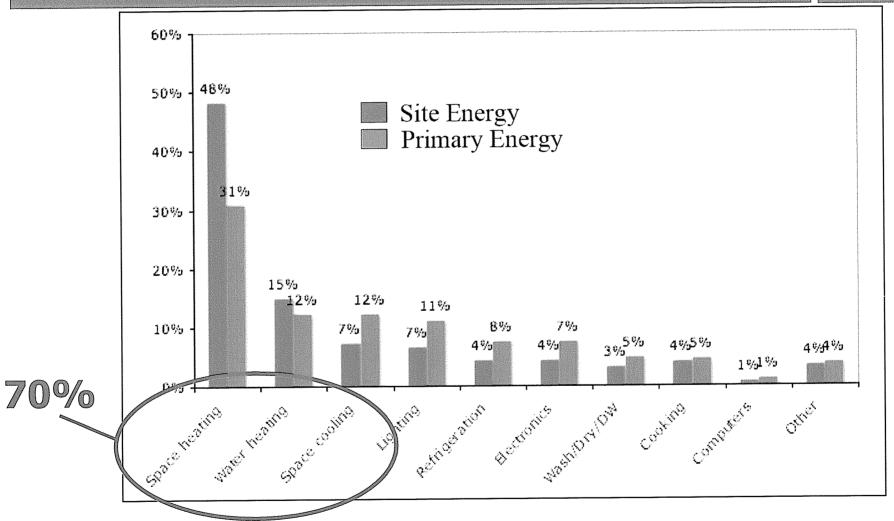






# Home Utility Expenses





Home utility expenses the leading contributor to utility bill



Exhibit JEH-1 Page 6 of 24

# Message



- Utility prices going up
- Home purchase locks in large percentage of utility bill - utility bill major household expense
- Energy efficiency is a sellable feature!
- ENERGY STAR means a better home for less money!

HOW?





## What is ENERGY STAR?



- National voluntary labeling program designed to identify and promote energyefficient homes, buildings and products
- □ The US EPA and the US DOE administer the ENERGY STAR program
- MHRA is the manufactured home national Quality Assurance Provider





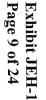
## What is an ENERGY STAR Qualified Home?



□ A home designed to be

# 30% more energy efficient

in its heating, cooling and water heating than a home built to Model Energy Code (standard site built reference code)





# Everyone Wins



- □ Homebuyers Own a comfortable, durable, energy-efficient home with lower operating costs and higher resale value
- Manufacturers Build homes with energy performance that is competitive with the best homes in the market
- Retailers/Communities Sell homes that provide the best value for their customers, leveraging a nationally recognized brand— ENERGY STAR



xhibit JEHage 10 of 24

## Market Actors and their Roles



- Manufacturers design and produce homes, responsible for final product
- Retailers (company stores and independents) sell homes, customer interface
- Suppliers sell materials in volume, many closely tied to industry
- **Lenders** finance homes and implicitly decide which features will be financed

Production Volume L	enders
Clayton Homes	55.9%
Fleetwood Enterprises	18.8%
<b>Champion Enterprises</b>	10.7%
<b>Cavalier Homes</b>	1.9%
Total	87.3%

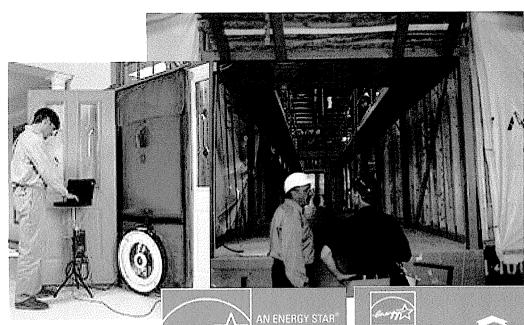
## Look for the ENERGY STAR Label



- Constructed by a HUD-certified plant
- Analyzed, inspected and tested by an independent third party,

# **ENERGY STAR**Certifier

Must display the blue ENERGYSTAR and the gray MHRAQuality Assured labels



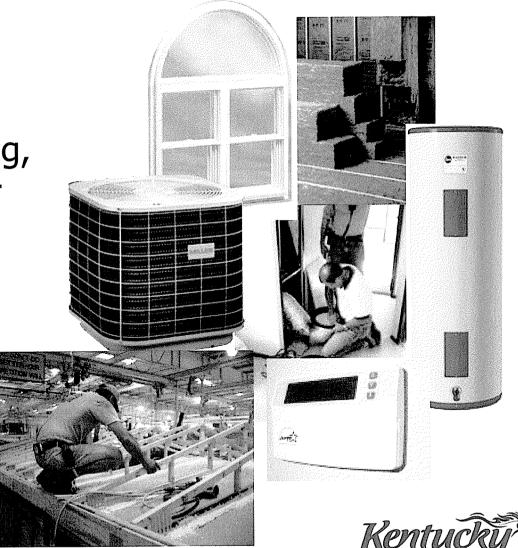
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Exhibit JEH-Page 12 of 24

## Features of ENERGY STAR Homes



- □ High insulation levels
- □ Advanced windows
- Highly efficient heating, cooling and hot water equipment
- □ Temperature controls
- ☐ Tight envelope construction and tight ducts



hibit JEH-1 ge 13 of 24

Department for Energy Development & Independence

# Exhibit JEH-1 Page 14 of 24

# Comparison of Features



Manufactured Home Component <sup>1</sup>		Base Case — HUD-code	ENERGY STAR Climate Region 3 (KY)	
	Overall U value (max)	0.096	0.076	
	Wall insulation	R-11	R-11	
	Floor insulation	R-11	R-22	
Envelope	Roof insulation	R-22	R-33	
	Window U-value	0.75	0.59	
	Window SHGC (max)	No requirement	0.40	
	Air leakage (max)	No requirement	7.0 ACH <sub>50</sub>	
	Heating efficiency (electric heat)	Heat pump not required	7.7 HSPF heat pump	
Heating	Cooling efficiency and capacity	13 SEER, 3 tons	13 SEER, 2 tons	
and Cooling	Thermostat	No requirement	Programmable	
	Duct leakage (max)	No requirement	5%	
	Crossover duct insulation	R-4	R-6	
	Water heater efficiency (electric)	0.88 EF	0.91 EF	

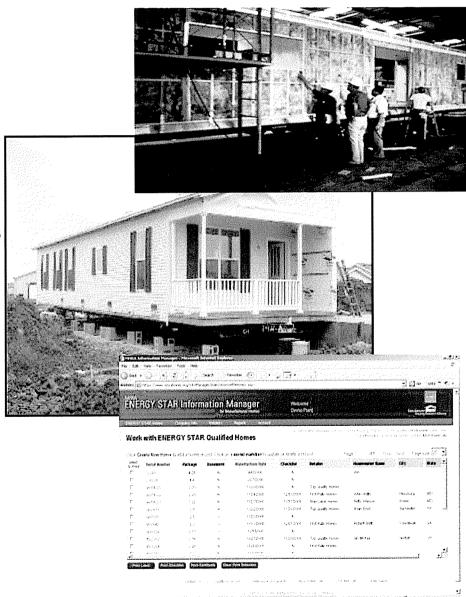
<sup>&</sup>lt;sup>1</sup> Based on average home size of 1,680 sq. ft. with window area of 196 sq. ft. These are typical home specifications only; specifications of actual homes will vary.

# Exhibit JEH-1 Page 15 of 24

# Qualifying HUD-code Homes



- □ Plant certification—plant is responsible for overall qualification. 100% of homes checked in the plant
- Spot checking of limited features in the field that have a low probability of problems (shell and duct leakage)
- □ Three-tiered quality control process (Certifier, IPIA and MHRA)
- □ On-line reporting/tracking of homes with *Information Manager*



# Telling the ENERGY STAR Story



- Government backed
- Third-party verified
- More comfortable
- Greater customer satisfaction
- □ Parity with/superior to site-built
- Proven technology
- □ Higher resale value
- Lower operating costs—savings of about \$25 to \$90 per month





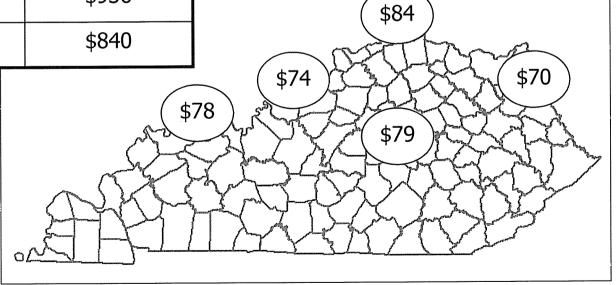




# Estimated Monthly Cost Savings



	Monthly	Annual
Covington	\$84	\$1,008
Lexington	\$79	\$948
Louisville	\$74	\$888
Evansville, IN	\$78	\$936
Huntington, WV	\$70	\$840



Source: Manufactured Housing Research Institute



Exhibit JEH-1 Page 17 of 24

# Exhibit JEH-1 Page 18 of 24

# Energy Efficient Mortgage



	Standard	ENERGY
	code	STAR
Property value	\$70,000	\$72,000
Down payment	\$2,100	\$2,100
Base mortgage amount	\$67,900	\$67,900
Energy efficiency improvements cost	n/a	\$2,000
Total mortgage amount	\$67,900	\$69,900
Mortgage insurance premium (MIP)	\$2,037	\$2,037
Mortgage amount plus MIP	\$69,937	\$71,937
Monthly principal, interest, taxes, and insurance (PITI) and MIP payments	\$568	\$581
Monthly energy cost (\$90 savings)	\$245	\$155
Monthly outlay (PITI, MIP and utilities)	\$813	\$737
Overall monthly savings		\$76

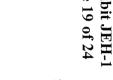
The buyer qualifies for an additional \$2,000 but pays \$76 dollars less each month in homeownership costs (saving \$912 per year)!

Source: Manufactured Housing Research Alliance - www.mhrahome.org/pages/es\_main.htm

## Incentives



- □ Federal Tax Credit
  - \$1000 to producers of manufactured homes
- □ State Tax Credit
  - \$400 to sellers of manufactured homes
  - \$800 to builders of modular homes
- Utility Incentives
  - Some offer rebates on high efficiency heat pumps
- More on incentives:
  - www.energy.ky.gov/Incentives.htm





# ENERGY STAT

better?

# Marketing and Sales Tools

■ ENERGY STAR logos

**Brochures** 

Point of purchase displays

□ Video



## Lower homeownership costs Lower utility costs more than offset the cost of the additional energy features, saving you money every month. **More Comfort**

Quality Assurance ENERGY STAR qualified homes are analyzed, inspected and tested by an independent third-party authorized by the U.S. En-

vironmental Protection Agency. There's no guesswork.

**Quieter and Cleaner** ENERGY STAR qualified homes are built better and tighter so you enjoy an improved indoor living environment.

Why are ENERGY STAR

ENERGY STAR qualified homes are built with tight duct systems and improved windows. Tight ducts mean more conditioned

air gets to your living space and better windows keep the suns heat out in summer and keep heat in during winter.

qualified homes

**Good for the Environment** 

Seventeen percent of all U.S. greenhouse gases, which contribute to air pollution, acid rain and global warming, are generated from the energy used in homes. If we use less energy in our homes, we will generate less air pollution.

The ENERGY STAR label is your assurance that a home contains energyefficient features such as effective insulation, tight construction and ducts, and efficient windows and heating equipment.

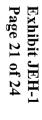
# Marketing and Sales Tools





# Sales Center and Training Video





## What do I do?



- ☐ If this is for you...
  - Learn to sell the product
    - Customer must be educated
    - It's all about saving the customer money!\$\$!
  - Utilize available resources
    - Lots of support and stuff online
  - Contact suppliers for ENERGY STAR homes
    - There is a demand, the customer just doesn't know this is an option

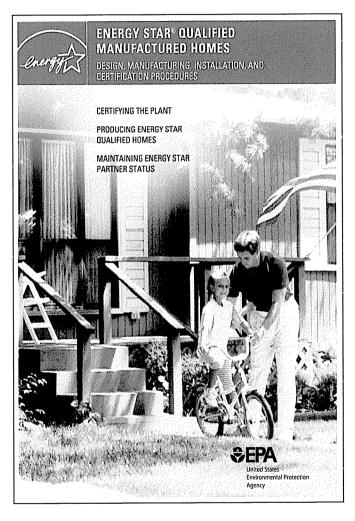




# Sources for Information



- ENERGY STAR® Qualified Manufactured Homes: Guide for Retailers with Instructions for Installers and HVAC Contractors
- MHRA website:
  www.mhrahome.org







## **Contact information**



## Lee Colten

**ENERGY STAR Manager** 

Kentucky Dept. for Energy Development & Independence

502-564-7192

lee.colten@ky.gov

www.energy.ky.gov





For All Counties Served P.S.C. No. 33 First Revised Sheet No. 22 Canceling P.S.C. No. 33 Original Sheet No. 22

## EAST KENTUCKY POWER COOPERATIVE, INC.

#### Section DSM - 1

## **Touchstone Energy Manufactured Home Program**

## **Purpose**

The Touchstone Energy Manufactured Home Program is a conservation program that encourages the sale of more energy-efficient manufactured homes. It is based on the *Energy Star* standards for manufactured 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 Manufactured Home under EKPC's program, the participating manufactured 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 will provide an incentive for retail customers of our Member Systems to participate in this program by offering a one-time rebate. EKPC will rebate \$250 per certified manufactured home to the participating Member System. Rebates will be paid to the participating Member Systems upon written certification that the retail participant has met the *Energy Star* standards for newly constructed manufactured homes.

For customers who purchase a manufactured home which only includes a heat pump meeting Energy Star standards, EKPC will rebate \$150. For customers with inefficient electric heating systems, EKPC will rebate \$150 for replacing their existing furnace with a heat pump that meets minimum 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 March 31, 2004, and annually thereafter.

## **Term**

The Touchstone Energy Manufactured Home Program will remain in effect through the end of 2011. If EKPC should decide to continue the entire program beyond 2011, 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 30, 2009 DATE EFFECTIVE: Service rendered on and after January 1, 2010
ISSUED BY	TITLE President & Chief Executive Officer
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For All Counties Served
P.S.C. No. 33
First Revised Original Sheet No. 22
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Original First Revised Sheet No. 22

EAST KENTUCKY POWER COOPERATIVE, INC.

#### Section DSM - 1

### **Touchstone Energy Manufactured Home Program**

#### Purpose

The Touchstone Energy Manufactured Home Program is a conservation program that encourages the sale of more energy-efficient manufactured homes. It is based on the *Energy Star* standards for manufactured 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 Manufactured Home under EKPC's program, the participating manufactured 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 will provide an incentive for retail customers of our Member Systems to participate in this program by offering a one-time rebate. EKPC will rebate \$250 per certified manufactured home to the participating Member System. Rebates will be paid to the participating Member Systems upon written certification that the retail participant has met the *Energy Star* standards for newly constructed manufactured homes.

For customers who purchase a manufactured home which only includes a heat pump meeting Energy Star standards, EKPC will rebate \$150. For customers with inefficient electric heating systems, EKPC will rebate \$150 for replacing their existing furnace with a heat pump that meets minimum 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 March 31, 2004, and annually thereafter.

## **Term**

The Touchstone Energy Manufactured Home Program will remain in effect through the end of 20092011. If EKPC should decide to continue the entire program beyond 20092011, an application for approval from the Kentucky Public Service Commission will be filed 6 months prior to the date of continuation.

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