

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DEMAND-SIDE MANAGEMENT FILING OF BIG	)	
RIVERS ELECTRIC CORPORATION ON	)	
BEHALF OF ITSELF, JACKSON PURCHASE	)	CASE NO.
ENERGY CORPORATION, AND MEADE	)	2018-00236
COUNTY R.E.C.C. AND REQUEST TO	)	
ESTABLISH A REGULATORY LIABILITY	)	

ORDER

On July 6, 2018, Big Rivers Electric Corporation (BREC) filed on behalf of itself and two of its member distribution cooperative-owners, Jackson Purchase Energy Corporation (Jackson Purchase Energy) and Meade County Rural Electric Cooperative Corporations (Meade County RECC), an application for approval of revised tariffs to discontinue certain demand-side management (DSM) programs effective August 6, 2018. The application also requested approval for BREC to use DSM revenues to fund two new DSM programs, for BREC to establish a regulatory liability, and for a deviation from 807 KAR 5:001, Section 8, that requires Jackson Purchase Energy and Meade County RECC to publish a customer notice of their respective revised tariffs no later than the date of the tariff filing. Jackson Purchase Energy and Meade County RECC (jointly, Member Systems) also filed revised tariffs to phase out their respective remaining DSM programs by June 30, 2019, by reducing the available customer rebates.<sup>1</sup>

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<sup>1</sup> BREC third member distribution cooperative-owner, Kenergy Corp. made a separate DSM tariff filing, TFS 2018-00293, withdrawing all of its existing DSM Programs.

By Order entered on July 31, 2018, the Commission approved revised tariffs to discontinue seven DSM programs for BREC, eight DSM programs for Jackson Purchase Energy, and seven DSM programs for Meade County RECC, all effective August 6, 2018, due to the fact that they are no longer cost-effective. The discontinued DSM programs are as follows:

A. For BREC:

- DSM-01: High Efficiency Lighting Replacement Program;
- DSM-02: ENERGY STAR® Clothes Washer Replacement Incentive Program;
- DSM-03: ENERGY STAR® Refrigerator Replacement Incentive Program;
- DSM-06: Touchstone Energy® New Home Program;
- DSM-07: Residential and Commercial Heating, Ventilation and Air Conditioning (HVAC) & Refrigeration Tune-Up Program;
- DSM-09: Commercial/Industrial General Energy Efficiency Program; and
- DSM-13: Residential Weatherization A La Carte Program.

B. For Jackson Purchase Energy:

- DSM-01: High Efficiency Lighting Replacement Program;
- DSM-02: ENERGY STAR® Clothes Washer Replacement Incentive Program;
- DSM-03: ENERGY STAR® Refrigerator Replacement Incentive Program;
- DSM-05: Touchstone Energy® New Home Program;
- DSM-06: Residential and Commercial Heating, Ventilation and Air Conditioning (HVAC) & Refrigeration Tune-Up Program;

- DSM-08: Residential Weatherization Program – All Electric;
- DSM-09: Residential Weatherization Program – Non-Electric Heating; and
- DSM-10: Commercial/Industrial General Energy Efficiency Program.

C. For Meade County RECC:

- Schedule 26: High Efficiency Lighting Replacement Program;
- Schedule 27: Clothes Washer Replacement Incentive Program;
- Schedule 28: Refrigerator Replacement Program;
- Schedule 30: Residential Weatherization A La Carte Program;
- Schedule 31: Touchstone Energy® New Home Program;
- Schedule 32: Residential & Commercial Heating, Ventilation and Air Conditioning (HVAC) & Refrigeration Tune Up Program; and
- Schedule 34: Commercial/Industrial General Energy Efficiency Program.

That Order also found that the Commission had not completed its investigation of Jackson Purchase Energy's and Meade County RECC's revised tariffs to phase out their respective remaining DSM programs. Consequently, those tariffs were suspended for one day and allowed to become effective, subject to change prospectively, as follows:

For Jackson Purchase Energy:

- DSM-04: Residential High Efficiency Heating, Ventilation and Air Conditioning (HVAC) Program;
- DSM-07: Commercial/Industrial High Efficiency Lighting Replacement Incentive Program; and

- DSM-11: Commercial High Efficiency Heating, Ventilation and Air Conditioning (HVAC) Program.

For Meade County RECC:

- Schedule 29: Residential High Efficiency Heating, Ventilation, and Air Conditioning (HVAC) Program;
- Schedule 33: Commercial/Industrial High Efficiency Lighting Replacement Incentive Program;
- Schedule 37: Commercial High Efficiency Heating, Ventilation and Air Conditioning (HVAC) Program; and
- Schedule 38: High Efficiency Outdoor Lighting Program.

Finally, the July 31, 2018 Order found that BREC's proposed two new DSM programs, the request for the regulatory liability, the motion for deviation, and the request to phase out certain DSM programs required further review. Therefore, these matters would be the subjects of further proceedings, and a procedural schedule was established. There are no intervenors in this proceeding, and BREC responded to one round of discovery from Commission Staff. On October 26, 2018, BREC, Jackson Purchase Energy, and Meade County RECC requested that the matter be submitted for a decision based on the existing record. This case now stands submitted for a decision based on the evidentiary record.

#### DISCUSSION

The pending application was filed in response to the Commission's Order entered December 21, 2017, in Case No. 2017-00278.<sup>2</sup> That Order directed BREC and its Member Systems, including Kenergy Corp., to review their DSM programs, determine

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<sup>2</sup> Case No. 2017-00278, *Tariff Filing of Big Rivers Electric Corporation to Revise Certain Demand-Side Management Programs*, (Ky. PSC Dec. 21, 2017).

which programs should be continued and which should be discontinued, and file a tariff detailing their findings by June 30, 2018, along with a plan to earmark the annual difference between the DSM expenditures for the remaining programs, and the amount included in BREC's base rates for DSM expenditures.

For all DSM programs not discontinued as of August 6, 2018, BREC proposes to phase them out by June 30, 2019, even though the Total Resource Cost (TRC) score for each of these programs is greater than one.<sup>3</sup> This phase-out will allow commercial and industrial customers who have already begun DSM/energy-efficient investments in anticipation of receiving incentives to still receive such benefits after the completion of the project.<sup>4</sup> BREC anticipates filing revised tariff sheets no later than the end of the June 30, 2019 phase-out period. These programs include the following tariff sheets for BREC:

- DSM-04: Residential High Efficiency Heating, Ventilation and Air Conditioning (HVAC) Program;
- DSM-08: Commercial/Industrial High Efficiency Lighting Replacement Incentive Program;
- DSM-11: Commercial High Efficiency Heating, Ventilation and Air Conditioning (HVAC) Program; and
- DSM-12: High Efficiency Outdoor Lighting Program.

For their corresponding programs, Jackson Purchase Energy and Meade County RECC are proposing to revise their tariff sheets to include "up to" language in reference to the amount of customer rebates. The Member Systems contend that with this addition, the tariffs will match the corresponding BREC tariffs and allow for the flexibility to reduce

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<sup>3</sup> A TRC score greater than one indicates the program is cost-effective.

<sup>4</sup> Application at 8.

the available incentive in a gradual phase-out of the programs.<sup>5</sup> Like BREC, Jackson Purchase Energy's and Meade County RECC's tariffs for these programs will be withdrawn no later than June 30, 2019.<sup>6</sup>

For Jackson Purchase RECC, the DSM programs to be revised and phased out are as follows:

- DSM-04: Residential High Efficiency Heating Ventilation and Air Conditioning (HVAC) Program;
- DSM-07: Commercial/Industrial High Efficiency Lighting Replacement Incentive Program; and
- DSM-11: Commercial High Efficiency Heating, Ventilation and Air Conditioning (HVAC) Program.

For Meade County RECC the DSM programs to be revised and phased out are as follows:

- Schedule 29: Residential High Efficiency Heating, Ventilation and Air Conditioning (HVAC) Program;
- Schedule 33: Commercial/Industrial High Efficiency Lighting Replacement Incentive Program;
- Schedule 37: Commercial High Efficiency Heating, Ventilation and Air Conditioning (HVAC) Program; and
- Schedule 38: High Efficiency Outdoor Lighting Program.

The Commission agrees with the proposal to phase out these programs by June 30, 2019, and approves the proposed revision to the rebate language in Jackson Purchase Energy's and Meade Country RECC's corresponding tariffs. Once BREC's four remaining programs are phased out, BREC, Jackson Purchase Energy, and Meade

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<sup>5</sup> *Id.*

<sup>6</sup> Application, Exhibit A, Direct Testimony of Russell L. Pogue (Pogue Testimony), pp. 45 and 7–8.

County RECC are to file through the Commission's electronic Tariff Filing System the revised tariff sheets eliminating these programs.

BREC is proposing to implement two new DSM programs—an Energy Use Education initiative and a Low-Income Weatherization initiative—and proposes to expend a total of \$250,000 for both programs. In regards to the educational program, BREC states that with the phasing out of its remaining DSM programs, additional communication efforts will be necessary to educate retail members about the efficient use of energy. BREC believes that this education program will also allow for the opportunity to share information about power for electric vehicles, renewable energy, and how to continue efficient electric use. Funds provided through this DSM program will be used for education and communication purposes.<sup>7</sup>

The Commission finds no merit in the proposed expenditure for the Energy Use Education program. BREC has not yet developed any of the educational material or specific budgets to be used in this program<sup>8</sup> and has provided no analysis to demonstrate that the expenditures will be cost-effective. Thus, BREC has not provided sufficient justification to create a new DSM program to provide education efforts geared towards new technology and renewable energy.

The proposed Low-Income Weatherization Assistance Program will involve BREC working with Community Action Agencies within its members' respective service territories to provide weatherization assistance for weatherization-related measures that otherwise would not be completed and increase the efficiency of systems or eliminate

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<sup>7</sup> Pogue Testimony at 9.

<sup>8</sup> BREC's Response to Staff First Request, Item 3.

health and safety issues.<sup>9</sup> BREC will provide funds to Community Action Agencies with the requirement that they only use the funds to support weatherization measures for low-income households served by one of BREC's member systems, and the funds only support weatherization measures that would not otherwise be completed.<sup>10</sup> General guidelines regarding transactions with Community Action Agencies have been discussed, but no executed agreement or contract has been established. BREC's current budget target is an average of \$1,000 per home weatherized for health and safety issues, plus an additional \$1,000 per home to upgrade the home's heating system to a high-efficiency heat pump.<sup>11</sup>

The Commission has encouraged utilities to provide DSM programs that are designed to reduce energy consumption by low-income customers, similar to BREC's proposed Low-Income Weatherization Assistance Program, and we will approve this proposal by BREC. Based on our decision to deny the creation of the Energy Use Education program, the Commission finds that the most beneficial use of the proposed \$250,000 budget for the two programs is to redirect the entire budget to the Low-Income Weatherization Assistance Program.

In response to the Commission's directive in Case No. 2017-00278 for BREC to earmark the difference between its future DSM expenditures and the amount included in base rates for DSM expenditures, BREC proposes to defer any DSM savings into a regulatory liability. The regulatory liability would be offset in BREC's next rate case

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<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 10.

<sup>11</sup> BREC's Response to Staff's First Request for Information (Staff's First Request), Item 4.

against the regulatory asset associated with the annual depreciation expense for the Wilson Generating Station (Wilson Regulatory Liability). Currently, BREC's rates contain a DSM component based on forecasted annual DSM spending of approximately \$1 million. Once the remaining DSM programs are phased out in 2019 and with the two new DSM programs, BREC anticipates achieving an annual savings of approximately \$750,000.<sup>12</sup>

The Commission finds it reasonable to create a regulatory liability for the unspent portion of the \$1 million of DSM revenues. However, the Commission notes that since those DSM revenues are being collected only in the rural base rates, the regulatory liability should be used in BREC's next rate case exclusively for the benefit of rural customers. Further, the Commission finds that a decision on the particular use of those funds to benefit rural customers in BREC's next rate case should not be made at this time, but rather deferred to that next rate case.

Finally, because of timing differences, Jackson Purchase Energy's and Meade County RECC's customer notices of the proposed tariff changes were not to be published until after this application was filed. Therefore, BREC, Jackson Purchase Energy, and Meade County RECC request a deviation from the requirements of 807 KAR 5:011, Section 8(2).<sup>13</sup> Based on the fact that the proposed revised tariffs in this case set forth terms and conditions of voluntary programs that are available to customers at their option; good cause exists to grant the requested deviation.

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<sup>12</sup> Application at 9.

<sup>13</sup> *Id.* at 17.

IT IS THEREFORE ORDERED that:

1. BREC's request to phase out its remaining DSM programs, designated as DSM-8, DSM-11, DSM-12, and DSM-04, by June 30, 2019, is approved.
2. Jackson Purchase Energy's and Meade County RECC's requests to modify and phase out their respective remaining DSM programs by June 30, 2019, are approved.
3. BREC's request for an Energy Use Education DSM Program is denied.
4. BREC's request to create a Low-Income Weatherization Assistance DSM Program at an annual budget not to exceed \$250,000 is approved, subject to the filing of a tariff setting forth the program details, including a list of weatherization initiatives, support for the proposed initiatives, guidelines, and any contracts and agreements.
5. Within 20 days of the date of this Order, BREC shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets reflecting that its remaining DSM programs, designated as DSM-8, DSM-11, DSM-12, and DSM-04, shall terminate by June 30, 2019, and reflecting that they were approved pursuant to this Order.
6. Within 20 days of the date of this Order, Jackson Purchase Energy and Meade County RECC shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets reflecting that their remaining DSM programs shall terminate by June 30, 2019, and reflecting that they were approved pursuant to this Order.
7. BREC shall establish a regulatory liability for the benefit of rural customers only in an amount that reflects the difference between BREC's future DSM expenditures and the \$1 million included in rural base rates for DSM expenditures.

8. The request for a deviation by Jackson Purchase Energy and Meade County RECC from the requirement to publish a customer notice no later than the date the proposed tariffs were filed is granted.

9. This case is hereby closed and removed from the Commission's docket.

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By the Commission

ENTERED  
DEC 12 2018  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2018-00236

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