

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF BIG RIVERS ELECTRIC) CASE NO.
CORPORATION TO REVISE AND IMPLEMENT) 2013-00099
DEMAND-SIDE MANAGEMENT PROGRAMS)

ORDER

On February 22, 2013, Big Rivers Electric Corporation ("Big Rivers") filed revised and new tariff sheets incorporating revisions to its existing demand-side management ("DSM") programs and two new DSM programs. Big Rivers proposes revisions to the following existing DSM programs: (1) DSM-01, High Efficiency Lighting Replacement Program (Rural Customers) ("DSM-01"), Tariff Sheet No. 2.01; (2) DSM-02, Energy Star Clothes Washer Replacement Incentive Program ("DSM-02"), Tariff Sheet 2.02; (3) DSM-03, Energy Star Refrigerator Replacement Incentive Program ("DSM-03"), Tariff Sheet Nos. 2.03 and 2.04; (4) DSM-04, Residential High Efficiency Heating, Ventilation and Air Conditioning ("HVAC") Program ("DSM-04"), Tariff Sheet Nos. 2.05 and 2.06; (5) DSM-05, Residential Weatherization Program ("DSM-05"), Tariff Sheet Nos. 2.07 and 2.08; (6) DSM-06, Touchstone Energy New Home Program ("DSM-06"), Tariff Sheet Nos. 2.09 and 2.10; (7) DSM-07, Residential and Commercial HVAC & Refrigeration Tune-Up Program ("DSM-07"), Tariff Sheet Nos. 2.11 and 2.111 (8) DSM-08, Commercial/Industrial High Efficiency Lighting Replacement Incentive Program ("DSM-08"), Tariff Sheet Nos. 2.12 and 2.13; (9) DSM-09, Commercial/Industrial General Energy Efficiency Program ("DSM-09"), Tariff Sheet Nos. 2.14 and 2.15; and

(10) DSM-10, Residential Weatherization Program – Primary Hearing Source Non-Electric (“DSM-10”), Tariff Sheet Nos. 2.16 and 2.17.

Big Rivers proposes new tariff sheets to reflect the addition of two new DSM programs: DSM-11, Commercial High Efficiency Heating, Ventilation, and Air Conditioning Program (Rural Customers) (“DSM-11”), Original Sheet Nos. 2.18 and 2.19; and DSM-12, High Efficiency Outdoor Lighting Program (Rural Customers) (“DSM-12”), Original Tariff Sheet No. 2.20.

The proposed tariffs contained an effective date of March 25, 2013. By Order issued March 21, 2013, the Commission approved DSM-01, DSM-02, DSM-03, DSM-04, DSM-06, DSM-08, and DSM-09 for service rendered on and after March 25, 2013. The Commission also directed Big Rivers to file a revised Table of Contents reflecting the revisions that were approved in the Order.

In that same Order, the Commission suspended for five months, up to and including August 24, 2013, the revised DSM-05, DSM-07, and DSM-10 tariffs; the proposed DSM-11 and DSM-12 tariffs; and page one of Big Rivers’ tariff’s Table of Contents.

Big Rivers responded to two rounds of discovery. On April 29, 2013, an Informal Conference (“IC”) was conducted and Big Rivers responded to Commission Staff’s information requests from the IC. There are no intervenors in this proceeding and the case now stands submitted for decision.

DISCUSSION

Under its current DSM-05 Residential Weatherization Program, Big Rivers will provide 50 percent of the cost of residential weatherization improvements performed in

accordance with the program. The revisions proposed to the program include language stating that Big Rivers will pay the Contractor up to \$2,500 for implemented residential weatherization measures, including project management. Big Rivers states that “[u]nder the previous program language, less than five percent of members who participated in an initial site visit went forward with weatherization.”¹ It states that the shared-cost aspect of the program posed a significant financial barrier for those who did not weatherize. The new language removes the cost-sharing barrier for low-income members in all-electric homes.²

The revised program language states that the weatherization contractor will collect \$100 from the residential member for the diagnostic audit, which will be reimbursed upon completion of the weatherization project. If the customer does not follow through with the weatherization process, the \$100 would be forfeited and Big Rivers would pay \$350 to the Contractor. Big Rivers would pay the Contractor \$450 for the diagnostic audit upon completion of the weatherization process.³ The weatherization contractor is Sherlock Homes.⁴

The revised program is patterned after a similar weatherization program for all-electric homes offered by Hoosier Energy, an Indiana-based utility.⁵ Big Rivers expects

¹ Responses to Commission Staff’s Initial Request for Information dated April 17, 2013, Response to Item 1.a., p. 2, filed April 25, 2013. The Commission will construe Big Rivers’ reference to “previous” program language to mean the language in its current program tariff.

² *Id.*, at pp.2-3.

³ Proposed language in tariff filing, P.S.C. KY. No. 24, First Revised Sheet No. 2.08, filed February 22, 2013.

⁴ Responses to Commission Staff’s Information Request from the Telephonic Informal Conference of April 29, 2013, Response to Item 2, filed May 3, 2013.

⁵ Responses to Commission Staff’s Second Request for Information dated May 8, 2013, Response to Item 1, filed May 15, 2013.

the Total Resource Cost ("TRC") cost-effectiveness test measure of DSM-05 to increase from 1.74 to 2.00 as a result of the proposed changes in the tariff language. The budget was increased from \$200,000 in 2012, to \$400,000 in 2013 as a result of low spending in the initial year. Big Rivers indicated that budgeting for 2014 will depend primarily on the program performance in 2013.⁶

With regard to Big Rivers' DSM-07 Residential and Commercial HVAC & Refrigeration Tune-Up Program, Big Rivers currently provides a participating member an incentive payment of \$25 per unit per year for up to three residential units per location, and an incentive payment of \$50 per unit per year for up to five commercial units per location for each such unit that is professionally cleaned and serviced.⁷ The revised language proposes no limit to the number of professionally cleaned and serviced residential and commercial units that are eligible for one annual \$25 or \$50 incentive payment per unit for participating residential and commercial customers, respectively.⁸

In response to a request for information regarding why limits were removed from the number of units eligible for an incentive, Big Rivers responded that its Member Cooperatives participating in the program noted that most large commercial accounts such as schools, multi-family housing, and retail commercial customers had significantly

⁶ Responses to Commission Staff's Initial Request for Information dated April 17, 2013, Response to, Item 4, filed April 25, 2013 and the Responses to Commission Staff's Information Request from the Telephonic Informal Conference of April 29, 2013, Response to Item 1, filed May 3, 2013.

⁷ Big Rivers Electric Corporation Rates, Terms and Conditions for Furnishing Electric Service, P.S.C. KY. No. 24, Original Sheet No. 211, DSM-07 Standard Rate – RDS Rural Delivery Service, effective April 17, 2012.

⁸ Proposed language in tariff filing, P.S.C. KY. No. 24, First Revised Sheet No. 2.11, filed February 22, 2013.

more than five HVAC units, and that a number of residential customers had more than three HVAC units, and should be able to participate fully. Big Rivers further stated that customers have requested the removal of the current tariff restrictions so that they might be eligible for the program.⁹

Big Rivers stated that it believes these program changes would improve participation in the program by large commercial and residential members, and that the program's cost-effectiveness would not be affected as a result. Big Rivers stated that the budgeted amount for this program did not increase for 2013 because participation was significantly lower than expected in 2012.¹⁰ The 2013 target spending for the DSM-07 Residential HVAC Tune-Up program is \$30,000, and the 2013 target spending for the DSM-07 Commercial/Industrial HVAC Tune-Up is \$20,000.¹¹

Under its existing DSM-10 Residential Weatherization Program – Primary Heating Source Non-Electric tariff, Big Rivers provides 25 percent of the cost of residential weatherization improvements performed in accordance with the program, and participants are required to pay for 25 percent of the diagnostic audit.¹² Big Rivers' proposed language change requires participants to pay 50 percent of the diagnostic audit, or \$225, and Big Rivers to pay \$225 to the weatherization contractor. Big Rivers proposes that participants will be reimbursed 100 percent for weatherization costs and

⁹ Responses to Commission Staff's Initial Request for Information dated April 17, 2013, Response to Item 5, p. 2, filed April 25, 2013.

¹⁰ *Id.*

¹¹ Responses to Commission Staff's Information Request from the Telephonic Informal Conference of April 29, 2013, Attachment for Response to Commission Staff's IC Item 1, filed May 3, 2013.

¹² Responses to Commission Staff's Initial Request for Information dated April 17, 2013, Response to Item 6.a., p. 3, filed April 25, 2013.

project management,¹³ up to a maximum of \$1,000, which includes project management fees.¹⁴

Big Rivers is proposing the new DSM-11 Commercial High Efficiency Heating, Ventilation and Air Conditioning (“HVAC”) Program to promote increased use of high-efficiency HVAC systems among rural commercial customers. Big Rivers proposes to pay Members an incentive to be passed on to any eligible rural customer who purchases and installs an HVAC system beyond minimum efficiency standards for HVAC systems meeting Energy Star standards (“Qualified System”). Big Rivers proposes to reimburse Members for an incentive of \$75 per ton (12,000 BTU per hour nominal capacity) when a non-residential rural customer installs a Qualified System HVAC upgrade located in the Member’s service area.¹⁵ To qualify for the incentive under this program, a Member must submit to Big Rivers a copy of a receipt of purchase and installation of a Qualified System from a licensed contractor, along with a certificate from the Member verifying installation of the Qualified System on the premises of a rural customer in the Member’s service area.¹⁶ The proposed 2013 budget is \$50,000.¹⁷

Big Rivers is also proposing a new DSM-12 High Efficiency Outdoor Lighting Program. The purpose of this program is to encourage both residential and commercial

¹³ *Id.*, at Responses to Items 6.a. and 6.b.

¹⁴ Responses to Commission Staff’s Initial Request for Information dated April 17, 2013, Response to Item 7, filed April 25, 2013.

¹⁵ Proposed DSM-11 Commercial High Efficiency Heating, Ventilation and Air Conditioning (“HVAC”) Program, P.S.C. KY. No. 24 Original Tariff Sheet No. 2.18, filed February 22, 2013.

¹⁶ *Id.*, at P.S.C. KY. No. 24, Original Tariff Sheet No. 2.19.

¹⁷ Responses to Commission Staff’s Initial Request for Information dated April 17, 2013, Response to Item 8.b., filed April 25, 2013.

members to increase usage of high-efficiency Light Emitting Diode (“LED”) and Induction outdoor lighting. Once an LED or Induction outdoor lamp is installed and documentation is provided, Big Rivers will reimburse the Member \$70 per high-efficiency LED or Induction outdoor lamp purchased and installed.¹⁸ The 2013 proposed budget is \$50,000.¹⁹

COST-EFFECTIVENESS OF PROPOSED NEW PROGRAMS

The following table shows the TRC test results for the two new proposed programs.

Program	TRC ²⁰
Commercial High Efficiency Heating, Ventilation and Air Conditioning (“HVAC”)	1.28
High Efficiency Outdoor Lighting	1.35 - 2.85

Big Rivers stated that the TRC range for the High Efficiency Outdoor Lighting Program depends on the lamp selected.²¹

2012 DSM EXPENDITURES

The following table represents the 2012 Energy Efficiency expenditures by Member Cooperative.²²

¹⁸ Responses to Commission Staff’s Initial Request for Information, Response to Item 9, filed April 25, 2013 and proposed DSM-12, High Efficiency Outdoor Lighting Program, Original Tariff P.S.C. KY. No. 24 Sheet No. 2.20, filed February 22, 2013.

¹⁹ Responses to Commission Staff’s Initial Request for Information dated April 17, 2013, Response to Item 9, filed April 25, 2013.

²⁰ *Id.*, at Responses to Items 8 and 9.

²¹ *Id.*, at Response to Item 9, FN 19.

²² *Id.*, at Attachment for Response to Item 10 and Attachment for Response to Item 11.

Tariff	Program	Budget	Kenergy Corp.	Meade County RECC	Jackson Purchase Energy
DSM-01	High Efficiency Lighting Replacement	\$100,000	\$52,006	\$25,105	\$24,803
DSM-02	Clothes Washer Replacement Incentive	\$40,000	\$33,900	\$19,500	\$2,900
DSM-03	Refrigerator Replacement Incentive	\$40,000	\$26,300	\$10,900	\$1,100
DSM-04	Residential High Efficiency HVAC	\$50,000	\$30,850	\$6,950	\$3,650
DSM-05 & 10	Residential Weatherization - Primary Heating Source Electric and Primary Heating Source Non-Electric	\$200,000	\$12,419	\$39,492	\$0
DSM-06	Touchstone Energy New Home	\$100,000	\$52,250	\$4,000	\$0
DSM-07	Residential and Commercial HVAC Refrigerator Tune-Up	\$50,000	\$9,675	\$325	\$350
DSM-08	Commercial / Industrial High Efficiency Lighting Replacement Incentive	\$190,000	\$122,150	\$23,678	\$1,285
DSM-09	Commercial / Industrial General Energy Efficiency Promotion	\$30,000	\$9,495	\$0	\$0
		\$200,000	\$51,698	\$23,314	\$0
	Total	\$1,000,000	\$400,743	\$153,264	\$34,088

2013 PROPOSED DSM/ENERGY EFFICIENCY SPENDING

The following table is the proposed 2013 DSM/Energy Efficiency target spending including promotional activities.²³

²³ Responses to Commission Staff's Information Request from the Telephonic Informal Conference of April 29, 2013, Attachment for Response to Commission Staff's IC Item 1, filed May 3, 2013.

Tariff	Program	Budget
DSM-01	High Efficiency Lighting Replacement	\$130,000
DSM-02	Clothes Washer Replacement Incentive	\$40,000
DSM-03	Refrigerator Replacement Incentive	\$40,000
DSM-04	Residential High Efficiency HVAC	\$65,150
DSM-05 & 10	Residential Weatherization (includes primary heating source electric and non-electric)	\$400,026
DSM-06	Touchstone Energy New Home	\$100,000
DSM-07	Residential and Commercial HVAC Tune-Up	\$50,000
DSM-08	Commercial / Industrial High Efficiency Lighting Replacement Incentive	\$194,950
DSM-09	Commercial / Industrial General Energy Efficiency	\$30,100
DSM-11	Commercial High Efficiency Heating, Ventilation and Air Conditioning ("HVAC")	\$50,025
DSM-12	High Efficiency Outdoor Lighting Promotion*	\$49,980
		<u>\$150,000</u>
	Total	\$1,300,231

* Big Rivers stated that \$150,000 has been set aside for promotional activities, which if not needed may be assigned to programs with high participation.

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that Big Rivers' proposed changes to its DSM-05, DSM-07, and DSM-10 programs and tariffs, and its proposed addition of new DSM-11 and DSM-12 programs and tariffs are reasonable and should be approved.

The Commission further finds that Big Rivers should file Page one of its tariff Table of Contents that reflects the revisions and additions approved herein, including the sheet numbers and effective date of its tariffs.

IT IS THEREFORE ORDERED that:

1. Big Rivers' proposed changes to its DSM-05 Residential Weatherization Program, Tariff Sheet Nos. 2.07 and 2.08, are approved for service on and after the date of this Order.

2. Big Rivers' proposed changes to its DSM-07 Residential and Commercial HVAC & Refrigeration Tune-Up Program, Tariff Sheet Nos. 2.11 and 2.111, are approved for service on and after the date of this Order.

3. Big Rivers' proposed changes to its DSM-10 Residential Weatherization Program – Primary Heating Source Non-Electric, Tariff Sheet Nos. 2.16 and 2.17, are approved for service on and after the date of this Order.

4. Big Rivers newly proposed DSM-11 Commercial High Efficiency Heating, Ventilation and Air Conditioning ("HVAC") Program, Original Sheet Nos. 2.18 and 2.19, are approved for service on and after the date of this Order.

5. Big Rivers' newly proposed DSM-12 High Efficiency Outdoor Lighting Program, Original Tariff Sheet No. 2.20, is approved for service on and after the date of this Order.

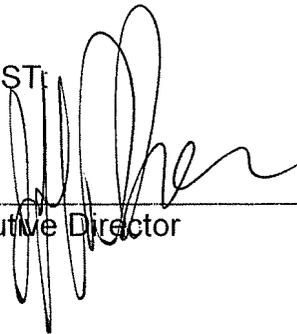
6. Big Rivers shall file a revised page one of its tariff Table of Contents reflecting the revisions and additions approved herein, including the sheet numbers and the effective date of its tariffs.

7. Within 20 days of the date of this Order, Big Rivers shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariff sheets as approved herein indicating the date of issue, the effective date, and that they were issued by authority of this Order.

By the Commission

ENTERED ¹⁸
JUN 06 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



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