COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CONSIDERATION OF THE NEW FEDERAL STANDARDS OF THE ENERGY INDEPENDENCE AND SECURITY ACT OF 2007	)))	CASE NO. 2008-00408

<u>ORDER</u>

The Commission initiated this proceeding on November 13, 2008 to investigate the adoption of the new Public Utility Regulatory Policies Act of 1978 ("PURPA") standards set forth in the Energy Independence and Security Act of 2007 ("EISA 2007") which was signed into law on December 19, 2007. EISA 2007 added four new PURPA standards applicable to electric utilities and two new PURPA standards applicable to natural gas utilities. EISA 2007 also includes one non-PURPA standard applicable to electric utilities.

The Commission addressed each of the EISA 2007 standards in its Order of October 6, 2011 ("the Commission's Order") in this case. Among other things, the Commission's Order required the adoption of the Smart Grid Investment Standard as set forth in EISA 2007 and required each jurisdictional electric generating utility to adopt a Kentucky Integrated Resource Plan ("Kentucky IRP") Standard. Although the EISA 2007 Gas Energy Efficiency Standard was not adopted, the Commission required each of the five major local gas distribution companies ("LDCs") to develop policies and procedures to ensure that cost-effective energy efficiency is considered as a priority resource. The Commission also indicated its intention to establish a new administrative proceeding to focus solely on Smart Grid and Smart Meter initiatives and to manage the efforts of the Smart Grid Collaborative established in this case. The Commission ordered that a record of the efforts of the collaborative, as detailed in the Commission Staff's ("Staff's") informal conference ("IC") memo of November 2, 2009; Staff's IC memo of February 19, 2010; and in the Joint Response on behalf of the parties filed on April 29, 2010, be incorporated into the record of the proposed new administrative proceeding.

On October 28, 2011, East Kentucky Power Cooperative, Inc. ("EKPC") filed an application for rehearing in which it requested clarification or modification of five items in the Order. On October 31, 2011, Louisville Gas and Electric Company ("LG&E"), Kentucky Utilities Company ("KU"), Kentucky Power Company, Duke Energy Kentucky, Inc., and Big Rivers Electric Corporation ("Big Rivers") (collectively "Movants") filed a motion, which was deemed to be an application for rehearing, requesting clarification and amendment of several aspects of the Commission's Order. By Order entered November 17, 2012, the Commission granted both applications for rehearing. The following discussion addresses the various issues raised in the parties' motions.

EKPC's Rehearing Requests

In its October 28, 2011 filing, EKPC requests that the Commission address the applicability of PURPA and EISA 2007 to EKPC and several of the electric cooperative distribution utilities. EKPC points out that the Commission's Order provides an initial statement that EKPC and several of its member-cooperatives are not subject to PURPA or the new PURPA standards set forth in EISA 2007. But, as EKPC further points out, the Commission's Order later states that all jurisdictional electric utilities were made parties to the proceeding and that the EISA 2007 standards apply to all the jurisdictional electric utilities. EKPC believes the Commission's statements are inconsistent and asks the Commission to reconcile those statements.[1]

EKPC also asks that the Commission incorporate the comments of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), and the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC") into the record of the proposed new smart grid administrative case. EKPC points out that, in ordering paragraph 5 of the Commission's Order, the Commission stated that the record of the efforts of the Smart Grid Collaborative, as detailed in the Staff's IC memos of November 2, 2009 and February 19, 2010, and LG&E/KU's Joint Response on behalf of the parties filed on April 29, 2010, were to be incorporated into the record of the upcoming administrative proceeding on smart grid issues. EKPC notes that the Commission failed to state that the comments submitted by the AG and CAC on March 25, 2011 would also be incorporated and asks that the Commission do so.[2]

EKPC requests that the Commission clarify the requirement to adopt the Kentucky IRP Standard. The Commission's Order did not require adoption of the EISA 2007 IRP Standard, but instead developed a Kentucky IRP Standard and required its adoption. EKPC states that it does not object to the provisions of the Kentucky IRP Standard per se. However, EKPC cites a 1991 decision of the Franklin Circuit Court which rejected the Commission's efforts to adopt by an order guidelines for filing

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[1] East Kentucky Power Cooperative, Inc.'s Application for Rehearing of Commission's Order of October 2, 2011, at 1-2.

[2] *Id.* at 2-3.

forecasted test-year rate cases. The Court held that the guidelines constituted a new policy and that the Commission could implement a new policy only through the promulgation of an administrative regulation. EKPC asks for rehearing and clarification on this issue.

EKPC also requests that the Commission clarify the requirement to adopt the Smart Grid Investment Standard. Like the adoption of the Kentucky IRP Standard, EKPC asserts that adopting the Smart Grid Investment Standard by order, rather than by a regulation, is contrary to the 1991 decision of the Franklin Circuit Court. EKPC also asks for clarification of apparent inconsistent statements in the Commission's Order as to whether the Smart Grid Investment Standards apply only to generating utilities or to all electric utilities.[3]

Finally, EKPC asks for an explanation of the basis for the statements in the Commission's Order regarding the commitment of EKPC and its member-owners to Demand-Side Management and energy efficiency (collectively "DSM"). That Order included several statements relating to DSM that EKPC viewed as criticism of its commitment, and that of its member cooperatives, to DSM. EKPC states that it has reviewed the information provided by the Investor-Owned Utilities ("IOUs") in this proceeding regarding their DSM efforts and believes that its efforts and those of its member-cooperatives are equal to those of the IOUs. EKPC, therefore, asks the Commission to clarify how its conclusions about the cooperatives' efforts were reached.[4]

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[3] *Id.* at 7-8.

[4] *Id.* at 8-10.

Requests of the Movants

The Movants request that the Commission clarify and revise the Kentucky IRP Standard. The Movants state that the term "priority resource," as used in the second paragraph of the Kentucky IRP Standard, is inconsistent with the use of the terms "equal priority" and "cost-effective" in the first paragraph thereof and ask that the Commission revise the Kentucky IRP Standard to clarify the requirement.[5] The Movants assert that their respective systems are planned on the basis of achieving the lowest reasonable cost as required by the Kentucky IRP regulation, 807 KAR 5:058, Section 8. They state that, by referring to energy efficiency as a "priority resource," the Commission is suggesting that energy efficiency should be given priority over other more cost-effective supply-side or demand-side alternatives.

Next, the Movants note that although the EISA 2007 Gas Energy Efficiency Standard was not adopted, the Commission did require the five major gas LDCs to develop policies and procedures to ensure that cost-effective energy efficiency is considered as a priority resource. The Movants state that the lowest reasonable cost is the planning criteria for gas systems, just as it is for electric systems, and that a priority should not be placed on a resource unless it satisfies that criteria. Thus, they ask the Commission to amend its Order to delete the term "priority" and simply use the term "resource" in the requirement.[6]

Finally, the Movants request that the Commission defer adoption of the Smart Grid Investment Standard. Given the Commission's intention to open a new

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[5] Joint Motion for Clarification and Amendment of Order (filed Oct. 28, 2011) at 1-2.

[6] *Id.* at 3.

administrative proceeding to address smart grid and smart meter issues, the Movants state their belief that it is premature to indicate the adoption of the Smart Grid Investment Standard at this time.[7]

The Commission issued an Order on November 17, 2011 granting all rehearing requests. That Order also established a due date for submission of briefs addressing in general all of the issues raised on rehearing, as well as the specific issue of whether adoption of the Kentucky IRP Standard and the EISA 2007 Smart Grid Investment Standard constitute the adoption of new policies that requires the promulgation of administrative regulations. One brief was filed jointly on behalf of all of the electric and gas utilities that were parties to this case.[8]

DISCUSSION OF ISSUES

The Kentucky IRP Standard

The EISA 2007 IRP Standard for electric utilities would require each one to integrate energy efficiency resources into utility, state, and regional plans and adopt policies establishing cost-effective energy efficiency as a priority resource.

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[7] *Id.* at 3-4.

[8] Joint Brief of Atmos Energy Corporation, Big Rivers Electric Corporation, Big Sandy Rural Electric Cooperative Corporation, Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Inc., Columbia Gas of Kentucky, Inc., Cumberland Valley Electric, Delta Natural Gas Company, Inc., Duke Energy Kentucky, Inc., East Kentucky Power Cooperative, Inc., Farmers Rural Electric Cooperative Corporation, Fleming-Mason Energy Cooperative, Grayson Rural Electric Cooperative Corporation, Inter-County Energy Cooperative Corporation, Jackson Energy Cooperative Corporation, Jackson Purchase Energy Corporation, Kenergy Corp., Kentucky Power Company, Kentucky Utilities Company, Licking Valley Rural Electric Cooperative Corporation, Louisville Gas and Electric Company, Meade County Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, Owen Electric Cooperative, Inc., Salt River Electric Cooperative Corporation, Shelby Energy Cooperative, Inc., South Kentucky Rural Electric Cooperative Corporation, and Taylor County Rural Electric Cooperative Corporation (collectively, the "Utility Group"), filed January 13, 2012.

The Commission decided not to require adoption of the EISA 2007 IRP Standard and instead developed a Kentucky IRP Standard and required its adoption. The Kentucky IRP Standard as set forth in the Commission's Order is as follows:

> Each electric utility shall integrate energy efficiency resources into its plans and shall adopt policies establishing cost-effective energy efficiency resources with equal priority as other resource options.
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> In each integrated resource plan, the subject electric utility shall fully explain its consideration of cost-effective energy efficiency resources as a priority resource as required by regulation. In each certificate case, the subject electric utility shall fully explain its consideration of cost-effective energy efficiency resources as a priority resource.
>
> In each rate case, the subject electric utility shall fully explain its consideration of cost-effective energy efficiency resources and the impact of such resources on its test year.[9]

In its consideration of the EISA 2007 IRP Standard, the Commission recognized the fact that the proposed federal standard went beyond 807 KAR 5:058, the IRP regulation, and, therefore, the EISA 2007 IRP Standard could not be adopted without a change in the IRP regulation and, perhaps, other statutes. Even though most of the jurisdictional electric utilities supported the principles of the EISA 2007 IRP Standard, they also stated that there was no need to adopt the standard, given the authority granted the Commission in the current statutes and IRP regulation.

In an effort to express support for the principles of the EISA 2007 IRP Standard, the Commission decided to develop an IRP standard that embodied those principles but was consistent with the current IRP regulation and other applicable regulations and statutes. The intent of the Commission in developing the Kentucky IRP Standard was to create and adopt a standard that did not require the establishment of new

[9] Order of Oct. 6, 2011 at 24.

administrative regulations and, at the same time, to emphasize the need for energy efficiency.

In the Final Order, the Commission clearly described its intent by stating the following:

> While similar to the federal standard, the Kentucky IRP Standard recognizes the limitations of our current statutes and regulations. Simply put, the Kentucky IRP Standard requires the electric utilities to make energy efficiency resources a priority to the extent that those resources are in compliance with the current statutes and regulations. The Commission believes that the Kentucky IRP Standard preserves the current flexibility available through 807 KAR 5:058 to the electric utilities in their consideration of energy resources, yet encourages them to make greater efforts to consider and offer cost-effective energy efficiency programs.[10]

The Commission has reviewed the Movants arguments that the term "priority resource," as used in the second paragraph of the Kentucky IRP Standard, is inconsistent with the use of the terms "equal priority" and "cost-effective," in the first paragraph. Based on this review, the Commission finds that its use of the term "priority resource," while consistent with the EISA 2007 IRP Standard, may go beyond what is permissible under KRS Chapter 278, the IRP regulation, and other regulations. Therefore, we find it necessary and appropriate to clarify the Kentucky IRP Standard.

We also believe that the concern for the need to promulgate administrative regulations arises from our use of the term "priority resource" in the second paragraph of the Kentucky IRP Standard. We further believe that the last sentence of the second paragraph and the third paragraph of the standard as written may also be construed as going beyond the Commission's current authority because of the requirements set forth

[10] *Id.* at 25.

in our standard. The last sentence of the second paragraph requires electric utilities to explain the consideration of cost-effective energy efficiency resources as a priority resource in each certificate case. The third paragraph includes the requirement to explain the consideration and impact of cost-effective energy efficiency resources in each rate case.

While the Commission has the authority to inquire into and review the activities of the utilities regarding energy efficiency in conjunction with certificate cases, rate cases, and other investigations, we agree that the requirements of the Kentucky IRP standards as currently stated may go beyond our existing authority. The Commission has traditionally inquired into the different resources considered by the utilities to meet energy needs in certificate cases and purchased power contract cases. Also, the Commission has regularly inquired into utilities' DSM activities and has considered the extent of those activities as one factor, along with cost-of-service studies, when making rate design decisions. Our intent was to indicate that energy efficiency will continue to be reviewed in all appropriate cases, either as a result of the utility addressing the issue in its application or through discovery.

In keeping with our intent to emphasize the need for cost-effective energy efficiency and to require adoption of a standard that is consistent with our statutes and regulations, and to ensure consistency with our existing authority, the Commission will revise the Kentucky IRP Standard as requested by the Utility Group.[11] Therefore, the revised Kentucky IRP Standard will read as follows:

[11] Joint Brief at 8.

> Each electric utility shall integrate energy efficiency resources into its plans and shall adopt policies establishing cost-effective energy efficiency resources with equal priority as other resource options.
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> In each integrated resource plan, certificate case, and rate case, the subject electric utility shall fully explain its consideration of cost-effective energy efficiency resources as defined in the Commission's IRP regulation (807 KAR 5:058).

In requiring all jurisdictional electric utilities to adopt this Kentucky IRP Standard, the Commission reaffirms its support for greater energy efficiency and also reaffirms its position that no new administrative regulations are required to do so since we are not modifying any existing regulations.

The EISA 2007 Gas Energy Efficiency Standard

The Commission's Order declined to adopt the EISA 2007 Gas Energy Efficiency Standard, but did adopt a requirement that the five major gas utilities develop policies and procedures to ensure that cost-effective energy efficiency is considered as a priority resource. The Movants object to the use of the term "priority resource" regarding this requirement and ask the Commission to amend its Order to simply use the term "resource" in the requirement.[12] The five large jurisdictional gas utilities that were parties to this case stated that they gave the same priority to all resource options, including energy efficiency, as they plan their systems based on lowest reasonable cost. They also stated that existing statutes and regulations give the Commission authority to review gas energy efficiency proposals.[13]

[12] EKPC's Application for Rehearing at 3.

[13] Joint Brief at 12-13.

As with the Kentucky IRP Standard, the Commission believes that it has the authority to inquire into and review the activities of gas utilities regarding energy efficiency in appropriate proceedings, and the gas utilities have expressed their agreement. However, we agree that, as written, the use of the term "priority resource," while consistent with the EISA 2007 Gas Energy Efficiency Standard, may exceed the Commission's authority and is not what we intended. We, therefore, will amend the requirement for gas utilities by removing the word "priority." Therefore, the gas utilities that were parties to this case will be required to develop policies and procedures that consider cost-effective energy efficiency in the same manner as all other cost-effective resources.

Again, the Commission believes that this requirement is consistent with its existing authority. Based on the gas utilities' statement that consideration of all cost-effective resources is embedded in their planning processes, the Commission believes that the requirement should only represent a formal statement of their planning and should not require the implementation of new administrative regulations.

<u>The EISA 2007 Smart Grid Investment Standard</u>

The Commission required the jurisdictional electric utilities to adopt the EISA 2007 Smart Grid Investment Standard. The standard requires that, prior to undertaking investments in nonadvanced grid technologies, a jurisdictional electric utility must demonstrate that it considered an investment in a qualified Smart Grid system based on certain factors. The EISA 2007 Smart Grid Investment Standard also requires each state to consider rate recovery of Smart Grid capital expenditures, operating expenses, and other costs related to the deployment of smart grid technology, including a reasonable return on capital expenditures.

In its request for rehearing, EKPC asks for clarification on the adoption of the Smart Grid Investment standard in light of the 1991 decision of the Franklin Circuit Court.[14] Also, the Movants request that the Commission defer adoption of the EISA 2007 Smart Grid Investment Standard, arguing that its adoption is premature given the Commission's stated intention to establish a new administrative proceeding to address smart grid and smart meter issues.[15]

In their Joint Brief, the Utility Group notes that smart grid technologies are constantly changing and continue to develop. Also, in addition to the argument that new regulations may be required to implement the EISA 2007 Smart Grid Standard, the Utility Group asks that the Commission proceed with the new smart grid administrative case before developing smart grid standards.[16]

The Commission has broad authority to investigate and review the capital investments of all jurisdictional utilities. Further, the Commission finds it reasonable for Kentucky's jurisdictional electric utilities to investigate and consider Smart Grid technology and infrastructure as part of their investment decisions. However, based on our decision to establish a new administrative proceeding to examine the issues related to smart grid investment, we find it reasonable to not require the adoption of the Smart

[14] EKPC's Application for Rehearing at 7.

[15] Movants Request for Clarification at 3-4.

[16] Joint Brief at 9.

Grid Investment Standard at this time. We will defer to that future case any decision on its adoption and will proceed with the administrative case.

EKPC's Commitment to DSM and Energy Efficiency

As EKPC states in its rehearing request, the Commission's Order does not include any analysis or comparison of evidence to support the statements and conclusions on DSM efforts that EKPC viewed as criticism of EKPC's and its member-cooperatives' commitment to DSM.[17] The statements in the Commission's Order were based on information from a number of other proceedings, as well as from this case.

In recent months, the Commission has become aware that one cannot discern from the filed tariffs the menu of available DSM programs that provide for rebates or discounts for either the cooperatives or the IOUs. The Commission has significantly more information about the menu of DSM programs offered by the IOUs due to the fact that each of them utilizes the DSM surcharge, as authorized under KRS 278.285, as a vehicle to recover DSM-related costs. Therefore, they submit regular applications for cost-recovery purposes and they identify and discuss in detail the DSM programs offered to their customers.

EKPC states in its rehearing request that a comparison of responses to data requests shows that EKPC and its member cooperatives offered as many programs as the IOUs, and the reported savings from those DSM programs was on par with the IOUs.[18] A review of the list of DSM programs offered by EKPC and its members was included in the testimony in this case. That list does show that there is a more diverse

[17] EKPC's Application for Rehearing at 10.

[18] *Id.*

menu of DSM programs offered than can actually be found in their authorized tariffs. This situation just recently became evident during Case No. 2011-00372.[19] In an informal conference during that case, the Commission became aware that EKPC's member distribution cooperatives offered a number of DSM programs that were not filed in tariffs.

Clearly, the menu of DSM programs available to the EKPC member distribution cooperatives, and offered to their respective customers, is greater than what was evident by the record at the time the Commission's Order was issued. It further appears that the menu of DSM programs offered by EKPC and its member cooperatives may approach that of the IOUs. The Commission recognizes that the participation of each member cooperative in DSM programs is based on a consideration of the needs of its own members. Consequently, some of the EKPC member cooperatives offer a full array of DSM programs, while others do not. Thus, we find it appropriate to revise the Commission's Order to recognize the commitment of EKPC and its members to DSM.

Utilities Subject To The Commission's Order

In its rehearing request, EKPC asks for clarification of what it believes to be contradictory findings in the Commission's Order as to whether the EISA 2007 standards apply to all of the jurisdictional electric utilities that were made parties to this case, or whether the standards apply to only some of those utilities, not including EKPC and certain other jurisdictional electric cooperatives.[20] EKPC cites to the Commission's

[19] Case No. 2011-00372, Tariff Filing of Jackson Energy Cooperative Corporation for Approval to Implement Five New Demand-Side Management Programs (Ky. PSC, February 24, 2012), Informal Conference held Oct. 31, 2011, Informal Conference Memo filed Nov. 2, 2011.

[20] EKPC's Application for Rehearing at 2.

Order, at 3, where it lists the names of "[t]he electric utilities that are not subject to PURPA." EKPC also references the finding in the Commission's Order, at 10-11, that:

> The four PURPA standards relating to Integrated Resource Planning, Rate Design Modifications to Promote Energy Efficiency Investments, Consideration of Smart Grid Investments, and Smart Grid Information, as well as the non-PURPA waste energy standard, apply to all the jurisdictional electric utilities that were made parties to this proceeding.[21]

Based on a review of EKPC's rehearing argument, the Commission acknowledges the need to provide clarification. In the November 13, 2008 Order initiating this case, all the electric utilities, including those such as EKPC that are not subject to PURPA, were made parties to the case. The reason for doing so, as set forth in that Order, was that, "[T]he Commission has determined that all Kentucky jurisdictional electric utilities will be made parties to the proceeding as it is possible that they may be required to comply with any eventual Commission decision."[22] By joining as parties to this case the electric utilities that are not subject to PURPA, the Commission was following the precedent established in the two prior administrative cases where it considered the PURPA standards enacted by the Energy Policy Act of 2005. [23]

The intent of the above quoted finding in the Commission's Order, at 10-11, was to state that the Commission had decided that its decisions therein on the four PURPA

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[21] Order of Oct. 6, 2011 at 10-11.

[22] Order of November 13, 2008 at 3.

[23] Administrative Case No. 2006-00045, Consideration of the Requirements of the Federal Energy Policy Act of 2005 Regarding Time-Based Metering, Demand Response, and Interconnection Service (Ky. PSC Dec. 21, 2006) at 2; Case No. 2007-00300, Consideration of the Requirements of the Federal Energy Policy Act of 2005 Regarding Fuel Sources and Fossil Fuel Generation Efficiency (Ky. PSC Aug. 25, 2009) at 1-2.

standards would be binding on all jurisdictional electric utilities. Thus, that sentence should have stated that:

> The Commission's decisions herein on the four PURPA standards relating to Integrated Resource Planning, Rate Design Modifications to Promote Energy Efficiency Investments, Consideration of Smart Grid Investments, and Smart Grid Information, as well as the non-PURPA waste energy standard, apply to all the jurisdictional electric utilities that were made parties to this proceeding.

Therefore, the Commission's Order is clarified as set forth in the immediately preceding sentence to provide that the Commission's decision is applicable to all jurisdictional utilities.

Evidence To Be Incorporated Into New Administrative Case

The Commission's Order stated, in ordering paragraph 5, that the record of the efforts of the Smart Grid Collaborative, as detailed in (1) Staff's IC memo of November, 2, 2009; (2) Staff's IC memo of February 19, 2010; and (3) E.ON U.S. LLC's Joint Response on behalf of the parties filed on April 29, 2010, "shall be incorporated into the record of the separate upcoming administrative proceeding on smart grid issues." EKPC notes that the Commission failed to state that the joint comments submitted by the AG and CAC on March 25, 2011 would also be incorporated into the record of the new case and asks the Commission to do so.[24]

The Commission agrees with this request. We had intended to include those joint comments but overlooked doing so. The Commission, therefore, places all parties on notice of its intent to incorporate the March 25, 2011 joint comments of the AG and CAC in the record of the new administrative proceeding. The joint comments of the AG

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[24] *Id.* at 3.

and CAC, as well as those previously cited in the Commission's Order, will be incorporated in the record by the order initiating the new administrative case.[25]

Having reviewed EKPC's and the Movants' requests for rehearing and being otherwise sufficiently advised, the Commission finds that:

1. All jurisdictional utilities that were made parties to this case are bound by and must adhere to the Commission's decisions in this proceeding on: (1) whether or not the EISA 2007 PURPA standards, or different standards, are adopted; and (2) which jurisdictional utilities must adopt the standards that are adopted by the Commission.

2. The Kentucky IRP Standard is revised as discussed above and it shall be adopted by the jurisdictional electric generating utilities.

3. The Kentucky IRP Standard, as revised, is not in conflict with the IRP Regulation or any other regulation or statute; therefore, no new administrative regulations are required for its adoption.

3. The requirement of the LDC Members to consider cost-effective energy efficiency is revised as discussed above.

4. The five major LDCs shall develop policies and procedures to ensure that cost-effective energy efficiency is given the same priority as all other cost-effective resources.

5. The Smart Grid Investment Standard shall not be adopted at this time, and a decision on whether or not to adopt that standard will be deferred until the completion of a new Smart Grid/Smart Meter administrative case.

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[25] On December 20, 2011 the AG and CAC filed a joint motion noting that the Commission's Order did not incorporate their March 25, 2011 joint comments into the new administrative case and requesting that they be incorporated. This motion, which is essentially an application for rehearing and not filed in accordance with KRS 278.400, will be denied as moot based on our decision to grant EKPC's request to incorporate the same joint comments.

6. The Commission's statements regarding the DSM and energy efficiency efforts of the member cooperatives are revised as discussed in the findings above.

7. The Commission will incorporate the March 25, 2011 comments of the AG and CAC into the record of the new administrative proceeding.

IT IS HEREBY ORDERED that:

1. The Commission's October 6, 2011 Order is amended to the extent that the last sentence beginning on page 10 is revised to read as follows:

> The Commission's decision herein on the four PURPA standards relating to Efficiency Investments, Consideration of Smart Grid Investments, and Smart Grid Information, as well as the non-PURPA waste energy standard, apply to all jurisdictional electric utilities that were made parties to this proceeding.

2. The Kentucky IRP Standard, set forth in the Commission's October 6, 2011 Order at the bottom of page 24, is revised to read as follows:

> Each electric utility shall integrate energy efficiency resources into its plans and shall adopt policies establishing cost-effective energy efficiency resources with equal priority as other resource options.
>
> In each integrated resource plan, certificate case, and rate case, the subject electric utility shall fully explain its consideration of cost-effective energy efficiency resources as defined in the Commission's IRP regulation (807 KAR 5:058).

3. The revised Kentucky IRP Standard set forth in ordering paragraph 2 above shall be adopted by each jurisdictional electric generating utility.

4. The five major LDCs shall develop policies and procedures that ensure that cost-effective energy efficiency is given the same priority as all other cost-effective resources.

5. The Commission's October 6, 2011 Order is amended to the extent that ordering paragraph 3 therein is modified to read as follows:

> The Smart Grid Investment Standard shall not be adopted at this time, and a decision on whether or not to adopt that standard will be deferred until the completion of a new Smart Grid/Smart Meter administrative case.

6. The March 25, 2011 comments of the AG and CAC shall be incorporated into the record of the new Smart Grid/Smart Meter administrative proceeding.

7. Within 30 days of the date of this Order, each jurisdictional electric generating utility shall submit a statement to the Commission indicating its adoption of the revised Kentucky IRP Standard.

8. Within 90 days of the date of this Order, each of the five major LDCs shall submit the pertinent policies and procedures to ensure that cost-effective energy efficiency is given the same priority as all other cost-effective resources.

9. All other provisions of the Commission's October 6, 2012 Order shall remain in full force and effect.

10. Any documents filed in the future pursuant to ordering paragraphs 7 and 8 above shall reference this case number and shall be retained in the appropriate utility's general correspondence file.

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

By the Commission

Commissioner Breathitt is abstaining from this proceeding.

ENTERED

JUL 24 2012

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