



January 30, 2019

***VIA ELECTRONIC TARIFF  
FILING SYSTEM***

Ms. Gwen R. Pinson  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: East Kentucky Power Cooperative, Inc. – 2019 DSM Program Changes

Dear Ms. Pinson:

Please find enclosed for filing with the Commission the above-referenced East Kentucky Power Cooperative, Inc. (“EKPC”) revised tariffs for the following Demand Side Management (“DSM”) Programs:

- DSM 2 – Touchstone Energy Home
- DSM 3a – Direct Load Control Program – Residential
- DSM 3b – Direct Load Control Program – Commercial
- DSM 4a – Button-up Weatherization Program
- DSM 4b – Heat Pump Retrofit Program
- DSM 4c – HVAC Duct Sealing Program
- DSM 5 – Commercial & Industrial Advanced Lighting Program
- DSM 6 – Industrial Compressed Air Program
- DSM 7 – ENERGY STAR® Manufactured Home Program
- DSM 8 – Appliance Recycling Program
- DSM 9 – ENERGY STAR® Appliances Program<sup>1</sup>

Over the last year, EKPC has diligently worked with its DSM Steering Committee (“the Committee”), a committee of EKPC and owner-member cooperative (“Owner-Member”) staff and consultants, to re-evaluate the cost-effectiveness and need for all existing DSM programs. The conclusions of this re-evaluation were shared with EKPC’s executive leadership and the Owner-Members’ Chief Executive Officers (“CEOs”) and a consensus was achieved to recommend substantial changes to EKPC’s portfolio of DSM programs. Accordingly, please find attached the following materials to evidence the work performed by EKPC and the Committee as well as the proposed tariffs:

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<sup>1</sup> EKPC’s DSM 10 – Community Assistance Resources for Energy Savings Program (CARES) is not included in this filing because no changes are being proposed.

### **1. Exhibit A – Proposed DSM Tariffs**

EKPC’s proposed DSM tariffs are collectively filed herewith as Exhibit A. In instances where EKPC proposes to withdraw a tariff, it is tendering a tariff sheet with the phrase “Reserved for Future Use” taking the place of the existing tariff provisions.

### **2. Exhibit B – Supporting Documents: Marked-Up Copies of Proposed DSM Tariffs**

EKPC is also including copies of the modified DSM Program tariffs for each of the DSM programs listed above. The tariffs are tendered in a format showing the strike-throughs of the existing tariffs for convenience.

### **3. Exhibit C – Supporting Documents: EKPC DSM Potential Study completed by GDS Associates, Inc.**

EKPC retained GDS Associates (“GDS”) to conduct a thorough cost-effectiveness review for all possible DSM program measures. GDS thereafter performed Total Resource Costs (“TRC”) cost-effectiveness reviews on 372 measures and 3,651 measure permutations. EKPC utilized the GDS Potential Study to obtain an initial cost-effectiveness review of DSM measures based on regional cost and energy and demand savings assumptions. GDS was instructed by EKPC to perform the study based on the following criteria:

- Evaluate cost-effectiveness utilizing TRC;
- Evaluate energy efficiency and demand response measures;
- Evaluate residential, commercial and industrial measures;
- Utilize appropriate Technical Resource Manuals from states and regions for energy savings and regional implementation costs; and
- Utilize the following information provided by EKPC:
  - EKPC’s avoided energy and capacity cost in PJM; and
  - EKPC’s end-use member saturation survey results.

EKPC also retained an expert in DSM programming, Mr. John Farley, to utilize the industry standard DSMore program to refine the DSM program assumptions and cost-effectiveness results from the GDS Potential Study. Mr. Farley utilized program energy savings information from GDS to update and refine energy savings assumptions for each of EKPC’s DSM programs. He completed a refined DSM program level cost-effectiveness evaluation in addition to the individual measure level cost-effectiveness review performed by GDS. When appropriate, Mr. Farley also updated the cost and electricity savings assumptions utilizing EKPC data instead of the regional data provided by GDS. Refined DSM assumption sheets were used in the DSMore program to produce program cost-effectiveness summary results for each DSM program in EKPC’s portfolio. The refined cost-effectiveness results for each DSM program were provided by Mr. Farley and include the TRC results as well as the Rate Impact Measures (“RIM”) and the Participant Cost Tests results. See Exhibit D for the refined Assumption Sheets and Summary Results provided by Mr. Farley.

Both GDS and Mr. Farley utilized EKPC's avoided cost of energy and capacity to calculate the DSM program benefits. EKPC's avoided cost of energy is the forward price for energy in the energy market operated by PJM Interconnection, LLC ("PJM"). Previously, EKPC's avoided capacity costs were based on EKPC's avoided cost to construct a new combined-cycle gas-fired power plant (energy efficiency programs) or a simple-cycle gas-fired power plant (demand response programs). Based on previous instruction from the Commission to evaluate DSM programs equally to supply-side resources, when evaluating new construction or purchase power agreements, EKPC's avoided cost of capacity is the forward price curve of PJM's Base Residual Auction ("BRA") for capacity. Therefore, the avoided energy and capacity costs utilized in these DSM program evaluations represent real savings for EKPC each year.

EKPC, the Committee and the CEOs reviewed the DSM program cost-effectiveness test results provided by GDS and Mr. Farley. The resulting program cancellation or modification recommendations were based on TRC and RIM cost-effectiveness results, historic member participation, impact on future loads, and the desire to lower high-bill complaint risk and provide rebates to offset the costs of improving the housing stock.

#### **4. Exhibit D – Supporting Documents: DSM Program Changes Explanation, Cost-Effectiveness assumptions and Summary Results**

EKPC is also filing copies of the documents prepared by Mr. Farley to further substantiate the validity of the proposed tariff changes. These documents are intended to provide an overview of the changes to the DSM portfolio, identify the assumptions used by Mr. Farley in his analysis and summarize the results of his evaluation.

#### **5. Exhibit E – Supporting Documents: EKPC's 2017 DSM Annual Report**

The 2018 DSM Annual Report is still being compiled, so EKPC's 2017 DSM Annual Report remains the most current annual summary of EKPC's DSM portfolio. As noted on page 10 of the 2017 DSM Annual Report, total DSM program expenditures for 2017 were just over \$10.5 million. Based on the projected participation levels for the modified DSM program cancellations and modifications proposed herein, EKPC projects total DSM program expenditures to be \$3 million annually. As the Commission is aware, neither EKPC nor its Owner-Members recover DSM program-related costs via a DSM surcharge mechanism. The projected DSM program participation from the modified DSM tariffs, with its related costs and energy savings, will be reflected in EKPC's Integrated Resource Plan scheduled to be filed at the Commission in April 2019.

#### **6. Exhibit F – Supporting Documents: Member System Notice and Effective Date**

Pursuant to KRS 278.180(1), EKPC must give at least 30-days' advance notice to the Commission. Therefore, the proposed effective date of these tariff revisions will be March 1, 2019. Pursuant to 807 KAR 5:011, EKPC has posted the requisite notice at its office located at 4775 Lexington Road, Winchester, Kentucky and will post the requisite notice on its website, no later than five (5) business days from today's date, which will include a hyperlink to the

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Commission's website where the tariff can be found. EKPC has also given written notice to its sixteen (16) Owner-Members by mailing a copy of the notice and proposed tariff to each of them, on this date. A copy of the Member System Notice is attached.

While EKPC is requesting that these tariffs become effective on March 1, 2019, it recognizes that several customers of EKPC's Owner-Members are making economic decisions based upon the tariffs currently in effect. To minimize disruption and surprise to such customers, EKPC intends to honor all requests for rebates, appliance pick-ups or other existing program benefits that were initiated by retail members prior to the effective date of these tariffs. Thus, EKPC anticipates that even when the revised DSM portfolio is approved and in effect, some legacy obligations will remain to be satisfied to fairly and reasonably wind-down the existing tariffed programs.

Please contact me if you have any questions.

Very truly yours,



Patrick Woods  
Director, Regulatory and Compliance Services

Enclosures

cc: David S. Samford  
Rebecca Goodman  
Kent Chandler  
Michael Kurtz