

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|   |   |            |
|---|---|------------|
| JOINT APPLICATION PURSUANT TO 1994 HOUSE BILL | ) |            |
| NO. 501 FOR APPROVAL OF KENTUCKY POWER        | ) |            |
| COMPANY COLLABORATIVE DEMAND-SIDE             | ) |            |
| MANAGEMENT PROGRAMS, AND FOR AUTHORITY TO     | ) | CASE NO.   |
| IMPLEMENT A TARIFF TO RECOVER COSTS, NET LOST | ) | 2011-00055 |
| REVENUES AND RECEIVE INCENTIVES ASSOCIATED    | ) |            |
| WITH THE IMPLEMENTATION OF THE KENTUCKY       | ) |            |
| POWER COMPANY COLLABORATIVE DEMAND-SIDE       | ) |            |
| MANAGEMENT PROGRAMS                           | ) |            |

ORDER

On February 15, 2011, Kentucky Power Company (“Kentucky Power”) and its Demand-Side Management (“DSM”) Collaborative (“Collaborative”)<sup>1</sup>, with the Office of the Attorney General of Kentucky’s (“AG”) representative abstaining, filed a joint application with the Commission. The application included a revised tariff containing revised DSM surcharges for Kentucky Power’s residential and commercial customers to become effective on and after March 30, 2011. Based upon its initial review of Kentucky Power’s proposed tariff, the Commission found in its March 2, 2011 Order that additional inquiry was necessary to determine the tariff’s reasonableness and suspended the proposed tariff for five months, up to and including August 30, 2011.

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<sup>1</sup> The voting members of the Residential Class DSM Collaborative are: Kentucky Power, the AG, Community Action Kentucky, Northeast Kentucky Community Action Agency, Big Sandy Community Action Agency, Middle Kentucky Community Action Partnership, Gateway Community Action Council, LKLP Community Action Council, Community Services - LINKS and BSADD Aging, and Kentucky Housing Corporation. The voting members of the Commercial Class DSM Collaborative are: Kentucky Power, the AG, Floyd County Schools, and Our Lady of Bellefonte Hospital.

Kentucky Power provided responses to two data requests from Commission Staff ("Staff"). There are no intervenors in this proceeding. Discovery is complete and the matter now stands submitted to the Commission for a decision based upon the record.

### DISCUSSION

In addition to the tariff changes, status reports, and evaluation reports, the application also contains the Collaborative's request for approval to increase annual participation levels for the following programs:

- Mobile Home Heat Pump Program from 150 to 230 customers per year.
- Mobile Home New Construction Program from 170 to 230 customers per year.
- High Efficiency Heat Pump Program from 196 to 250 customers per year.

The increase in participation is attributed to current market conditions and overwhelming customer support of the programs. The proposed increase in participation levels should provide conservation and efficiency measures to more customers, resulting in reduced demand and more available energy.

The Collaborative also requests Commission approval to decrease annual participation levels for the Targeted Energy Efficiency Program all-electric homes from 415 to 350 and non-electric homes from 78 to 55. The decrease is requested to balance Kentucky Power's DSM funding for the program with reduced Federal Stimulus funding associated with Community Action Weatherization Assistance programs.

The DSM summary status report describes year-to-date and program-to-date costs, as well as demand and energy savings attributed to each DSM program through December 31, 2010. In its April 20, 2011 response to Staff's second information request, Kentucky Power made corrections to the lost revenue factors and lost

revenues contained in the application, which further resulted in minimal revisions to its proposed Residential and Commercial DSM factors. As corrected, the DSM adjustment factor for residential customers decreases from \$.001612 per kWh to \$.000774 per kWh and the DSM surcharge for commercial customers increases from \$.000062 per kWh to \$.000558 per kWh. Kentucky Power provided revised calculations for the derivation of the surcharge factors for both the residential and commercial sectors. The revised DSM surcharge factors were calculated using the methodology proposed by Kentucky Power and approved by the Commission in previous Kentucky Power DSM cases.

Including avoided line losses, Kentucky Power's DSM programs accumulated savings of approximately 2,371,620 kWh during 2010 and 640,997,100 kWh since the programs began. Total DSM costs for 2010 were \$2,146,270, and \$17,351,916 since inception of the programs. Winter peak demand was reduced by 2,726 kW during 2010 and summer peak demand was reduced by 593 kW.

#### SUMMARY

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Kentucky Power has kept the Commission informed of the progress and status of its DSM programs by timely filing summary status reports on these programs.
2. Kentucky Power's proposed rates for Tariff D.S.M.C. contained in its February 15, 2011 application are in error and should be denied.

3. Kentucky Power's corrected proposed rates for Tariff D.S.M.C. as provided in its April 20, 2011 data response,<sup>2</sup> reflecting recovery of costs associated with the implementation of its DSM programs, including net lost revenues and incentives associated with the programs, are reasonable and should be approved.

4. Kentucky Power's proposed increases in the target participation levels of the Mobile Home Heat Pump Program, Mobile Home New Construction Program, and High Efficiency Heat Pump Program are reasonable and should be approved.

5. Kentucky Power's proposed decreases in the target participation levels of the Targeted Energy Efficiency Program all-electric homes and non-electric homes are reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's proposed rates for Tariff D.S.M.C. contained in its February 15, 2011 application are denied.

2. Kentucky Power's corrected proposed DSM surcharge factors of \$.000774 per kWh for residential customers and \$.000558 per kWh for commercial customers, as shown in its April 20, 2011 response,<sup>3</sup> are approved effective for service rendered on and after May 31, 2011.

3. Within 10 days of the date of this Order, Kentucky Power shall file a revised tariff showing the date of issue and that it was issued by authority of this Order.

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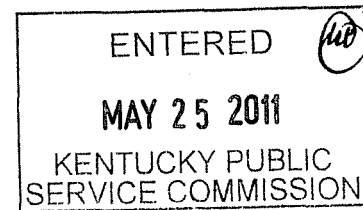
<sup>2</sup> See Kentucky Power's response to Staff's Second Request, Item 2, Attachment 1, page 1.

<sup>3</sup> Id.

4. Kentucky Power's proposed increases in the target participation levels of the Mobile Home Heat Pump Program, Mobile Home New Construction Program, and High Efficiency Heat Pump Program are approved.

5. Kentucky Power's proposed decreases in the target participation levels of the Targeted Energy Efficiency Program all-electric homes and non-electric homes are approved.

By the Commission



ATTEST:

Executive Director

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