

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

**APPLICATION OF KENTUCKY POWER COMPANY)
TO AMEND ITS DEMAND-SIDE MANAGEMENT)
PROGRAM AND FOR AUTHORITY TO IMPLEMENT)
A TARIFF TO RECOVER COSTS AND NET LOST)
REVENUES AND TO RECEIVE INCENTIVES)
ASSOCIATED WITH THE IMPLEMENTATION OF)
THE PROGRAMS)**

Case No. 2012-00367

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**PUBLIC SERVICE
COMMISSION**

**KENTUCKY POWER COMPANY RESPONSES TO ATTORNEY
GENERAL SUPPLEMENTAL DATA REQUESTS**

November 8, 2012

Kentucky Power Company

REQUEST

Reference KPCo Response to Attorney General's Initial Set of Data Requests, Item AG 1-1. Regarding the application by Kentucky Power Company ("KPCo") to increase the proposed monthly customer cost for DSM by nearly 150% for an average residential customer and by 67% for an average commercial customer, what portion of this increase may be directly attributed to a true-up of the \$508,711 under-collection during the first half of 2012? Please explain fully.

- (a) What portion of this proposed increase may be attributed to changes to existing programs and/or the extension of five (5) existing programs as described in the Application?
- (b) What portion of this proposed increase relates to KPCO's proposal to seek a third-party vendor to supply program administration services for KPCo's DSM programs?
- (c) What portion of this proposed increase relates to KPCO's plans to renegotiate and extend contracts with its current vendors, including but not limited to Applied Proactive Technologies, Inc. and Applied Energy Group, Inc.?

RESPONSE

The \$508,711 under-collection during the first half of 2012 accounts for approximately one-third of the 146% increase to residential customers.

- a. The changes to existing programs reduced program budgets and participant counts for several programs and therefore resulted in a 11% decrease to the proposed surcharge. The cost associated with the five programs for which an extension is being sought would have continued to flow through the surcharge until their removal was approved by the Commission. These programs account for 64% of the residential surcharge and 100% of the commercial surcharge.
- b-c. Zero percent. The proposal relates to 2013 costs and is not part of this application.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Reference KPCo Response to AG 1-2(b). In order to evaluate the ability of Community Action Kentucky (“CAK”) to produce cost-effective results using the National Energy Audit Tool (NEAT), would KPCo agree to the following as applied to the final two (2) year period for the TEE Program, subject to the approval of the Commission:

- (a) Accept from CAK its NEAT-produced recommendations for a pilot sample of participating homes (provide the number of homes for such a pilot);
- (b) Permit an exemption from per participant dollar limit if NEAT recommends measures for the pilot sample of homes;
- (c) Retain at least two years of post-weatherization usage and payment history for each customer’s residence that is weatherized within this pilot sample; and
- (d) Conduct post rate analysis on the pilot number of homes receiving services to determine if the NEAT estimated savings achieve actual/materialized results.

RESPONSE

a-d. The Company does not believe the pilot program suggested in this data request is required. Data exists that would permit the conduct of the requested analysis. The Company is willing to contract for the analysis with the existing data subject to the recovery of the associated cost through the DSM program. The analysis will also require CAK to provide a portion of the necessary data.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Reference KPCo Response to Commission Staff's First Set of Data Requests, Item PSC 1-7(b). Regarding the "88 completed projects" required for the Commercial Incentive Program ("CIP") to be cost-effective, clarify whether there would need to be 88 projects completed per year or 88 projects completed over the current three (3) year term (2010-2012) of the program in order to achieve cost-effectiveness?

RESPONSE

There would need to be 88 projects per year as originally forecast to achieve cost-effectiveness, assuming actual 2011 expenditures and the 2011 participant impact savings per customer continue to be achieved.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Reference KPCo Response to PSC 1-9.

- (a) Please provide names, titles and primary office location for AEPSC personnel assisting with KPCo's DSM programs.
- (b) Please identify the source material for the "best known practices" utilized by KPCo to manage its DSM program. If not publicly available, please provide copies of source material referenced.
- (c) What percentage of the proposed increase to the DSM surcharge will apply directly to the proposed third-party contract "to provide turn-key project management and incentive processing for five DSM programs"?

RESPONSE

- a. The primary individuals are:

- Fred (Don) Nichols, Manager EE & Consumer Programs, AEP Headquarters
 - Kevin Vass, DSM/EE Coordinator, AEP Headquarters
 - Alan Graves, Manager Load Research, AEP Headquarters
 - Jeanna Overstreet, Financial Analyst III, AEP Headquarters
 - Carey Sullivan, Manager Social Media, AEP Headquarters
 - Jennifer Downey, Contract Analyst II, AEP Headquarters
 - Hector Garcia, Senior Counsel, AEP Headquarters

- b. The Company does not have specific documents referencing "best known practices". Instead the Company relies primarily on the program evaluations provided by an independent EM&V assessment. These include program recommendations, comparison of best practices, process evaluation, and customer satisfaction.
- c. Zero percent. The proposed DSM surcharge includes forecasted expenses through 2012. The proposed HVAC implementation contractor would not be effective until 2013.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

For the current true-up portfolio of DSM programs pending for KPSCo, please provide levelized cost of saving energy ("CSE"), including the total levelized cost, the kWh and the resulting cost per kWh. Please supply reference to the data source and methodology utilized, including the measure life to calculate the levelized cost.

RESPONSE

Data sources include the program assumption spreadsheets prepared by AEPSC Load Research and the EM&V contractor (Applied Energy Group, Inc. - AEG). Also used are participant and budget forecasts developed by KPSCo DSM personnel. The methodology utilizes the Program Administrator Cost Test.

The Pilot Load Management program is not included because no participant impact savings or cost benefit analyses have been completed for the program.

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2012 Forecast - Levelized Cost:

| Program | Total Cost | Total kWh | Cost - \$/kWh | Measure Life - yrs |
|--|-------------------|------------------|--------------------------|-------------------------------|
| Community Outreach CFL | \$68,707 | 8,393,808 | 0.008 | 6 |
| Energy Education for Students | \$31,700 | 2,664,000 | 0.012 | 6 |
| High Efficiency Heat Pump Resistance Heat | \$78,750 | 3,522,750 | 0.022 | 15 |
| High Efficiency Heat Pump Non- Resistance Heat | \$213,750 | 12,098,250 | 0.018 | 15 |
| Modified Energy Fitness | \$427,008 | 5,468,400 | 0.078 | 7 |
| Mobile Home Heat Pump | \$94,500 | 8,136,450 | 0.012 | 15 |
| Mobile Home New Construction | \$104,751 | 4,790,850 | 0.022 | 15 |
| Targeted Energy Efficiency Target All Electric | \$301,125 | 5,395,500 | 0.056 | 10 |
| Targeted Energy Efficiency Target Not All Electric | \$1,800 | 218,250 | 0.008 | 10 |
| Commercial Incentive | \$1,630,725 | 30,230,720 | 0.054 | 10 |
| Residential Efficient Products Program (units) | \$345,269 | 31,550,395 | 0.011 | 5 |
| Small Commercial High Efficiency Heat Pump | \$33,649 | 683,400 | 0.049 | 15 |
| Small Commercial High Efficiency Air Conditioner | \$16,825 | 72,300 | 0.233 | 15 |
| HVAC Tune Up - Residential Heat Pump | \$85,630 | 1,755,000 | 0.049 | 5 |
| HVAC Tune Up - Residential Central Air | \$35,630 | 157,500 | 0.226 | 5 |
| HVAC Tune Up - Small Commercial Heat Pump | \$22,440 | 516,408 | 0.043 | 5 |
| HVAC Tune Up - Small Commercial Central Air | \$14,940 | 63,250 | 0.236 | 5 |

Methodology: PAC - Program Administrator Cost Test

Source: Assumption Sheets - 2011 Program Evaluation - AEPSC Load Research
Assumption Sheets - 2012 Program Evaluation - Applied Energy Group, Inc (AEG)
2012 program forecast

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

For the proposed portfolio of DSM programs, including those scheduled to continue to 2014 and those proposed in this application to extend to 2015, please provide levelized cost of saving energy ("CSE"), including the total levelized cost, the kWh and the resulting cost per kWh. Please supply reference to the data source and methodology utilized, including the measure life to calculate the levelized cost.

RESPONSE

Data sources include the program assumption spreadsheets prepared by AEPSC Load Research and the EM&V contractor (Applied Energy Group, Inc. - AEG). Also used are participant and budget forecasts developed by KPCo DSM personnel. The methodology utilizes the Program Administrator Cost Test.

The Pilot Load Management program is not included because no participant impact savings or cost benefit analyses have been completed for the program.

The HVAC Tune-up measure for heat pump and air conditioning is recommended for discontinuation beginning 2013 and is not included in the following analysis.

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3 Year Forecast - Levelized Cost:

| Program | Total Cost | Total kWh | Cost - \$/kWh | Measure Life - yrs |
|--|-------------------|------------------|--------------------------|-------------------------------|
| Community Outreach CFL | \$196,764 | 23,273,808 | 0.008 | 6 |
| Energy Education for Students | \$89,496 | 8,791,200 | 0.010 | 6 |
| High Efficiency Heat Pump Resistance Heat | \$254,965 | 10,709,160 | 0.024 | 15 |
| High Efficiency Heat Pump Non-Resistance Heat | \$692,792 | 36,676,800 | 0.019 | 15 |
| Modified Energy Fitness | \$1,291,396 | 15,311,520 | 0.084 | 7 |
| Mobile Home Heat Pump | \$319,617 | 25,610,445 | 0.012 | 15 |
| Mobile Home New Construction | \$338,649 | 14,523,840 | 0.023 | 15 |
| Targeted Energy Efficiency Target All Electric | \$907,296 | 14,263,740 | 0.064 | 10 |
| Targeted Energy Efficiency Target Not All Electric | \$8,229 | 689,670 | 0.012 | 10 |
| Commercial Incentive | \$3,333,317 | 102,468,080 | 0.033 | 10 |
| Residential Efficient Products Program (units) | \$1,812,810 | 144,848,125 | 0.013 | 5 |
| Small Commercial High Efficiency Heat Pump | \$71,190 | 2,152,710 | 0.033 | 15 |
| Small Commercial High Efficiency Air Conditioner | \$33,705 | 227,745 | 0.148 | 15 |
| HVAC Tune Up - Residential Heat Pump | \$112,190 | 3,779,100 | 0.030 | 5 |
| HVAC Tune Up - Residential Central Air | \$0 | 0 | 0.000 | 5 |
| HVAC Tune Up - Small Commercial Heat Pump | \$24,052 | 1,189,983 | 0.020 | 5 |
| HVAC Tune Up - Small Commercial Central Air | \$0 | 0 | 0.000 | 5 |

Methodology: PAC - Program Administrator Cost Test

Source: Assumption Sheets - 2011 Program Evaluation - AEPSC Load Research
Assumption Sheets - 2012 Program Evaluation - Applied Energy Group, Inc. (AEG)
2012 - 2014 participant forecast
2013 - 2015 participant forecast
2013 budget forecast

WITNESS: E J Clayton