

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE DEMAND SIDE MANAGEMENT PROGRAMS AND)	
DEMAND SIDE MANAGEMENT COST RECOVERY)	CASE NO.
FILING OF AMERICAN ELECTRIC POWER D/B/A)	2002-00047
KENTUCKY POWER COMPANY)	

O R D E R

This matter comes before the Commission as a result of the February 14, 2002 filing of American Electric Power d/b/a Kentucky Power Company (AEP-Kentucky) on behalf of its Demand-Side Management Collaborative (Collaborative). The filing includes evaluation reports for each of AEP-Kentucky's Demand-Side Management (DSM) programs, a third-party quality control inspection report performed on the Targeted Energy Efficiency (TEE) program, and a revised Experimental DSM Adjustment Tariff (DSM Tariff) that adjusts the DSM surcharge factors for residential and commercial customers effective April 1, 2002. The filing also includes AEP-Kentucky's estimate of cost reductions that may be realized as a result of implementing its Residential Energy Assistance Program (REAP) later in 2002.¹

An informal conference attended by representatives of AEP-Kentucky and the Commission Staff was held on February 27, 2002. AEP-Kentucky responded to one round of data requests from Commission Staff. The response to those requests, which relates to the REAP program, was received March 18, 2002. The REAP program raises a number of policy issues that need further review and consideration by the

¹ This was in response to the Commission's final Order in Case No. 2001-00255 dated September 27, 2001.

Commission. Since the other issues pending in this case are of a more routine nature and no costs related to the REAP program are included in the proposed April 1, 2002 DSM surcharge factors, this Order addresses those other issues. Recognizing that AEP-Kentucky intends to implement the REAP program in May 2002, every effort will be made to address that program in a timely manner.

The program evaluation reports provide year-to-date and program-to-date costs of individual programs through 2001, estimated year-to-date and program-to-date demand and energy savings attributed to each program through 2001, and cost projections agreed upon by AEP-Kentucky and the Collaborative for 2002. They show that, pursuant to their decision reached in mid-year of 2001, AEP-Kentucky and its Collaborative discontinued the High Efficiency Heat Pump-Retrofit program at the end of 2001 due to declining participation. The reports also reflect the decision to discontinue the Commercial Smart Audit and Smart Incentive programs at the end of 2002 due to the fact that the database of commercial customers eligible for the two programs will be exhausted by mid-year 2002.

The quality control inspections report for the TEE program was performed by RLW Analytics, Inc. and included a sample of 18 customers that participated in the program. The report indicates that 100 percent of the sample participants are satisfied with the weatherization services provided and that 94 percent of sample participants state that their monthly bills have been lowered as a result of the services installed. These percentages are consistent with the results of previous sample surveys performed as part of the TEE program.

The revised DSM Tariff increases the DSM surcharge factors for both residential and commercial customers. The residential class factor will change from \$.000101 per Kwh to \$.000226 per Kwh, and the commercial class factor will change from \$.000196 per Kwh to \$.000344 per Kwh. The increase in the surcharge factors, as explained by AEP-Kentucky at the informal conference, results from the amounts under-collected during calendar year 2001 from both customer classes. The revised DSM surcharge factors were calculated using the same methodology proposed by AEP-Kentucky and approved by the Commission for each of AEP-Kentucky's previous DSM filings.

SUMMARY

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

1. AEP-Kentucky has continued to keep the Commission properly informed of the progress and status of its DSM programs by filing individual evaluation reports, a quality control inspection report of the TEE program, and estimates of cost savings that may be realized through implementation of the REAP program.

2. AEP-Kentucky's revised DSM surcharge factors are reasonable as they reflect the expected level of DSM program costs for 2002 and the true-up of prior period DSM costs and revenues.

3. Issues related to the REAP program should be addressed in a subsequent Order in this case.

IT IS THEREFORE ORDERED that:

1. The revised DSM surcharge factors of \$.000226 per Kwh for the residential class and \$.000344 for the commercial class are approved.

2. The effective date of AEP-Kentucky's revised DSM Tariff shall be April 1, 2002.

3. Issues related to the REAP program shall be addressed in a subsequent Order to be issued in this case.

4. Within 10 days from the date of this Order, AEP-Kentucky shall file a revised DSM Tariff showing the date of issue and that it was issued by authority of this Order.

Done at Frankfort, Kentucky, this 25th day of March, 2002.

By the Commission

ATTEST:


Executive Director