

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION FOR APPROVAL OF )  
KENTUCKY POWER COMPANY )  
COLLABORATIVE DEMAND-SIDE )  
MANAGEMENT PROGRAMS, AND FOR )  
AUTHORITY TO IMPLEMENT A TARIFF TO )  
RECOVER COSTS, NET LOST REVENUES ) CASE NO. 2009-00068  
AND RECEIVE INCENTIVES ASSOCIATED )  
WITH THE IMPLEMENTATION OF THE )  
KENTUCKY POWER COMPANY COLLABORATIVE )  
DEMAND-SIDE MANAGEMENT PROGRAMS )

ORDER

On February 16, 2009, the Kentucky Power Company (“Kentucky Power”) and its Demand-Side Management (“DSM”) Collaborative (“Collaborative”) filed a joint application with the Commission. The filing sought authority for Kentucky Power to implement a revised electric tariff designed to recover costs associated with the implementation of Kentucky Power’s demand-side management programs, including net lost revenues and incentives associated with the programs. The filing included a revised tariff proposing a decreased DSM surcharge for Kentucky Power’s residential customers to become effective March 31, 2009 and a six-month status report on the programs which comprise Kentucky Power’s Demand-Side Management Plan through December 31, 2008. Pursuant to KRS 278.190(2), the Commission suspended Kentucky Power’s proposed rates for five months in order to properly investigate the reasonableness of Kentucky Power’s application. A procedural schedule was then established providing for discovery and an opportunity to request a hearing. As no

hearing has been requested, the matter stands submitted to the Commission for a decision.

On February 25, 2009, Kentucky Power, on behalf of its Collaborative and with the Attorney General's Office representative ("AG's Office") abstaining, filed a revised DSM tariff to be applied to the residential sector, which included the three DSM programs approved by the Commission on February 24, 2009.<sup>1</sup>

### FINDINGS

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, 2008. The filing also includes cost projections for the DSM programs for the calendar year 2009.

The current DSM expected revenue requirement including program costs, lost revenues and financial incentives is \$1.2 million for 2009, up from \$1.1 million in 2008.<sup>2</sup> Peak demand reduction in 2008 totaled 348 MW in the summer and 728 MW in winter.<sup>3</sup>

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<sup>1</sup> Case No. 2008-00349, Joint Application Pursuant to 1994 House Bill No. 501 For Approval of Kentucky Power Collaborative Demand-side Management Programs and For Authority to Recover Costs, Net Lost Revenues and Receive Incentives Associated with the Implementation of Three New Residential Demand-side Management Programs Beginning January 1, 2009 (Ky. PSC Feb. 24, 2009).

<sup>2</sup> Exhibit C, pages 14a through 15b, Kentucky Power's filing of February 25, 2009.

	2008	2009 Estimate
Program Cost	\$ 787,923	\$ 803,880
Total Net Lost Revenue	\$ 220,181	\$ 274,814
Total Incentive	\$ 112,062	\$ 145,551
Total	\$1,120,166	\$1,224,245

<sup>3</sup> Demand Side Management Status Report as of December 31, 2008, filed with application on February 17, 2009.

The revised DSM tariff includes a decrease in the DSM surcharge factor for residential customers from \$.000644 per kWh to \$.000353 per kWh.<sup>4</sup> The revised DSM surcharge factor was calculated using the methodology proposed by Kentucky Power and approved by the Commission in previous Kentucky Power DSM cases.

#### SUMMARY

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

1. Kentucky Power has sufficiently updated the Commission on the status of the programs which comprise its DSM Plan.
2. Kentucky Power's proposed revised tariff, reflecting recovery of costs associated with the implementation of its DSM programs, including net lost revenues and incentives associated with the programs, is reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's revised tariff containing a DSM surcharge factor of \$.000353 per kWh for residential customers is approved effective for service rendered on or after the date of this Order.
2. Within 10 days from the date of this Order, Kentucky Power shall file its revised tariff showing the date of issue and that it was issued by authority of this Order.

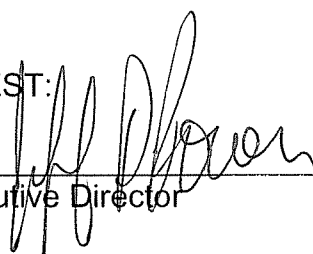
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<sup>4</sup> Kentucky Power's DSM surcharge for commercial customers was discontinued on November 21, 2005 as approved by the Commission in Case No. 2005-00333, Joint Application Pursuant to 1994 House Bill No. 501 for the Approval of American Electric Power/Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Implement a Tariff to Recover Costs, Net Revenues and Receive Incentives Associated with the Implementation of the Kentucky Power Company Collaborative Demand-side Management Programs (Ky. PSC Nov. 21, 2005).

By the Commission

ENTERED  
MAY 29 2009 *sl*  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

Case No. 2009-00068

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