

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|------------|
| JOINT APPLICATION PURSUANT TO 1994 HOUSE |) | |
| BILL NO. 501 FOR THE APPROVAL OF KENTUCKY |) | |
| POWER COMPANY COLLABORATIVE DEMAND-SIDE |) | |
| MANAGEMENT PROGRAMS, AND FOR AUTHORITY |) | Case No. |
| TO IMPLEMENT A TARIFF TO RECOVER COSTS, |) | 2009-00337 |
| NET LOST REVENUES AND RECEIVE INCENTIVES |) | |
| ASSOCIATED WITH THE IMPLEMENTATION OF THE |) | |
| KENTUCKY POWER COMPANY COLLABORATIVE |) | |
| DEMAND-SIDE MANAGEMENT PROGRAMS |) | |

O R D E R

On August 14, 2009, Kentucky Power Company (“Kentucky Power”) and its Demand-Side Management (“DSM”) Collaborative (“Collaborative”)¹ filed a joint application with the Commission. The filing sought authority for Kentucky Power to implement a revised tariff designed to recover costs associated with Kentucky Power’s DSM programs, including net lost revenues and incentives associated with the programs. The filing included a revised tariff proposing an increased DSM surcharge for Kentucky Power’s residential customers to become effective September 28, 2009 and a six-month status report on the programs which comprised Kentucky Power’s DSM

¹ The DSM Collaborative includes Kentucky Power, the Attorney General's Office, Kentuckians for the Commonwealth, Big Sandy Area Development District, Northeast Kentucky Area Development Council, Kentucky Tech Northeast Region, Christian Appalachian Project, Kentucky Division of Energy (as a result of restructuring within Kentucky state government, the Kentucky Division of Energy is now the Governor’s Office of Energy Policy), Coleman Oil, Cedar Knoll Galleria, Kentucky Industrial Utility Customers, Inc., Big Sandy Area Community Action Program, LKLP – Community Action Council, Middle Kentucky River Area Development Council, Appalachian Regional Defense Fund, and Appalachian Service Project.

plan through June 30, 2009. Pursuant to KRS 278.190(2), the Commission suspended Kentucky Power's proposed rate for five months in order to properly investigate the reasonableness of Kentucky Power's application. Two rounds of data requests were conducted and, on October 28, 2009, Kentucky Power, on behalf of its Collaborative and with the Attorney General's Office representative abstaining, filed a revised DSM tariff to be applied to the residential sector.

FINDINGS

The DSM summary status report describes year-to-date costs through June 30, 2009 and program-to-date costs, as well as demand and energy savings attributed to each program through June 30, 2009. The filing also includes cost projections for the DSM programs for 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 2008.² Peak demand reduction in 2009 through June 30 totaled 185 kW in the summer and 606 kW in winter.³

² Revised Exhibit C, pages 14a through 15c, filed on October 28, 2009.

| | <i>2008</i> | <i>2009 Estimate</i> |
|------------------------|-------------------|----------------------|
| Program Cost | \$ 787,923 | \$ 835,069 |
| Total Net Lost Revenue | \$ 220,181 | \$ 252,173 |
| Total Incentive | <u>\$ 112,062</u> | <u>\$ 150,750</u> |
| Total | \$1,120,166 | \$1,237,992 |

The 2009 amounts are actual through June 30 and estimated for the remainder of the year.

³ Revised DSM Status Report as of June 30, 2009, filed on October 28, 2009.

The revised DSM tariff includes an increase in the DSM surcharge factor for residential customers from \$.000353 per kWh to \$.000641 per kWh.⁴ 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 its DSM programs, including net lost revenues and incentives associated with the programs, is reasonable and should be approved.

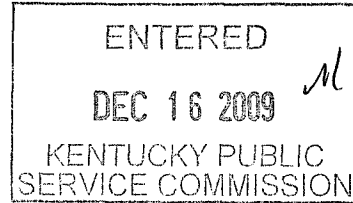
IT IS THEREFORE ORDERED that:

1. Kentucky Power's revised tariff containing a DSM surcharge factor of \$.000641 per kWh for residential customers is approved effective for service rendered on and after the date of this Order.
2. 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.

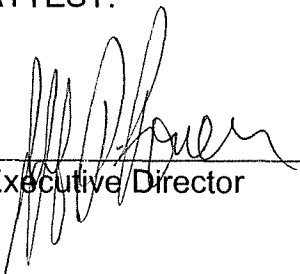
⁴ Kentucky Power's DSM surcharge for commercial customers was discontinued on November 21, 2005 as approved by the Commission in Case No. 2005-00333, Joint Application Pursuant to 1994 House Bill No. 501 for Approval of American Electric Power/Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Implement a Tariff to Recover Costs, Net Lost 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

Commissioner Borders Abstains.



ATTEST:



Executive Director

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