

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 TO RECOVER COSTS, NET LOST)	
REVENUES AND RECEIVE INCENTIVES)	CASE NO. 2010-00095
ASSOCIATED WITH THE IMPLEMENTATION OF)	
ONE NEW RESIDENTIAL, ONE COMBINED)	
RESIDENTIAL/COMMERCIAL, AND ONE)	
COMMERCIAL DEMAND-SIDE MANAGEMENT)	
PROGRAM BEGINNING JANUARY 1, 2010)	

ORDER

On February 26, 2010, 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 one residential, one combined residential/commercial, and one commercial DSM program. Recovery of costs including net lost revenues and incentives associated with the programs mentioned in the case style of the filing and the cover letter submitted with the application were not included in the application or addressed by the

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, 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.

Commission in this Order. The issue of cost recovery will need to be addressed in a future application.

PROPOSED PROGRAMS

Residential Efficient Products Program

This program is designed to provide incentives to promote the usage of Energy Star lighting products in the home. The program targets in-store promotion as well as special sales events. Monetary incentives through discounted prices will be offered to residential retail customers in Kentucky Power's service territory. This action is expected to increase purchases of high-efficiency lighting products. Participating retailers will receive in-store signage, employee training, and support to ensure that participation is easy and mutually beneficial.

This program is expected to bring about long-term energy savings in the homes of customers by making the purchase of Energy Star lighting products more cost-effective. By the end of 2010, Kentucky Power expects residential usage of these products to increase by 31,250 bulbs and approximately 200 other lighting products. In 2011 and 2012, the expectations increase to 125,000 bulbs and 800 other lighting products each year.

Kentucky Power will reimburse participating retailers for discounting the cost of Compact Fluorescent Light bulbs ("CFLs") or other lighting products by a specific dollar amount per unit during the promotion. At the end of every month, the retailer will provide a report and will be reimbursed for the discounts provided on each unit sold. Kentucky Power feels that this is the most efficient way to implement this program as it eliminates costs associated with mail-in rebate fulfillment and printing of claim forms.

Kentucky Power has provided an expected annual budget totaling \$50,350 in year one, \$185,400 in year two, and \$199,400 in year three.

<u>Annual Budget</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
CFL/Markdowns	\$31,250	\$125,000	\$125,000
Other Lighting Products Incentives	\$1,100	\$4,400	\$4,400
Administration/Promotion	\$17,000	\$55,000	\$55,000
Evaluation	\$1,000	\$1,000	\$15,000
Total Costs	\$50,350	\$185,400	\$199,400

Commercial High Efficiency Heat Pump/Air Conditioner Program

The Commercial High Efficiency Heat Pump/Air Conditioner Program will be targeted to small commercial customers (less than 100kW over the last 12 months) who purchase a new qualifying unit with a Consortium for Energy Efficiency rating. The program is directed at customers who currently operate older, less efficient heat pumps or air conditioners and is designed to encourage those customers to upgrade to more efficient units. Licensed HVAC dealers will be eligible to receive an incentive for each qualifying unit they install. Benefits of this program include the lowering of electric bills for all commercial customers and the efficient use of Kentucky Power's generating capacity, thus delaying Kentucky Power's future need for new generating capacity.

Kentucky Power will provide incentives to customers who purchased qualifying units. Incentives are designed to offset the increased price of the qualifying unit. Customers purchasing a qualifying air-conditioning unit at 36,000 Btu/h or lower will receive a \$250 incentive. For air-conditioning units between 36,000 and 65,000 Btu/h, a \$400 incentive will be offered to the customer. HVAC dealers will receive a \$50

incentive for each unit installed. For purchasing heat pumps at 36,000 Btu/h or lower, customers whose primary source of heat is electricity will receive a \$300 incentive. For purchasing a heat pump with greater than 36,000 and less than 65,000 Btu/h, a \$450 incentive will be available to customers whose primary source of heat is electricity. HVAC dealers will receive \$50 for each qualifying unit installed.

Kentucky Power plans to market these programs with bill inserts, media promotion, direct customer contact, and other similar methods. Kentucky Power will provide information and educational outreach materials to HVAC dealers in the service area. Kentucky Power's participation goals are 50 air-conditioning units and 10 heat pump units replaced in 2010 and 100 air-conditioning units and 20 heat pump units in 2011 and 2012.

Kentucky Power has provided an expected annual budget totaling \$35,200 in year one, \$69,000 in year two, and \$73,000 in year three.

<u>Annual Budget</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Customer Incentives	\$24,500	\$49,000	\$49,000
Equipment/Vendor	\$3,000	\$6,000	\$6,000
Promotion	\$5,700	\$12,000	\$12,000
Evaluation	\$2,000	\$2,000	\$6,000
Total Costs	\$35,200	\$69,000	\$73,000

HVAC Diagnostic and Tune-up Program

The HVAC Diagnostic and Tune-up Program is targeted to residential and small commercial customers within Kentucky Power's territory who use electric central air-conditioning or heat pump systems that are operable but inefficient. Customers who

have diagnostic checks performed on their qualifying units and the dealers performing the checks will both receive incentives.

The diagnostic check will test for inefficiencies in units due to air-restricted indoor and outdoor coils and/or over- or under-charges of refrigerant. The unit will qualify for corrective action if any inefficiencies are identified in these areas. Kentucky Power plans to run checks on 40 residential heat pumps and 60 air-conditioning units in 2010. In 2011, the number of units checked is expected to increase to 215 residential heat pumps and 325 residential air-conditioning units. In 2012, the expected numbers increase again to 280 residential heat pumps and 420 residential air-conditioning units. The number of commercial customer units tested is expected to be four heat pumps and 26 air-conditioning units in 2010, 24 heat pumps and 136 air-conditioning units in 2011, and 30 heat pumps and 170 air-conditioning units in 2012.

Kentucky Power will offer residential and small commercial customers \$50 and \$75 for diagnostic and tune-up service, respectively. Dealers will receive \$50 for each test/tune-up performed for promoting the program to customers.

Kentucky Power plans to develop relationships with HVAC dealers in the service territory to promote the program. Media advertising may also be used to alert customers to the program.

Kentucky Power has provided an expected annual budget totaling \$23,660 in year one, \$87,900 in year two, and \$122,000 in year three.

<u>Annual Residential Budget</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Customer Incentives	\$5,000	\$27,000	\$35,000
Equipment/Vendor	\$5,000	\$27,000	\$35,000
Promotion	\$6,000	\$6,000	\$6,000
Administrative Costs	\$700	\$3,780	\$4,900
Evaluation	\$0	\$0	\$8,500
Total Costs	\$16,700	\$63,780	\$89,400
<u>Annual Commercial Budget</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Customer Incentives	\$2,250	\$12,000	\$15,000
Equipment/Vendor	\$1,500	\$8,000	\$10,000
Promotion	\$3,000	\$3,000	\$3,000
Administrative Costs	\$210	\$1,120	\$1,400
Evaluation	\$0	\$0	\$3,200
Total Costs	\$6,960	\$24,120	\$32,600

Program Evaluation

Kentucky Power will perform an evaluation of the three proposed programs to determine customer satisfaction, assess market potential, quantify the impacts of the program, determine cost-effectiveness, and determine the effectiveness of program implementation. This evaluation will be performed between January and June of 2012; the report will be available on August 15, 2012.

CONCLUSION

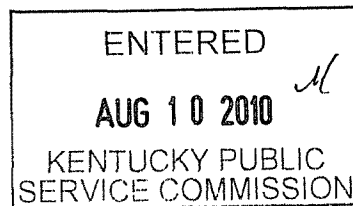
Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that Kentucky Power has sufficiently described the proposed

programs which it plans to add to its DSM Plan. The Commission finds that Kentucky Power should be allowed to implement the proposed DSM programs described in its application and that Kentucky Power should submit a separate request seeking approval to recover its costs for the DSM programs, including net lost revenues and incentives used in the implementation of its approved programs.

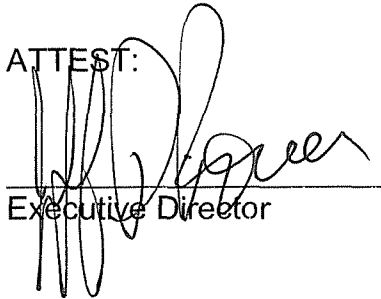
IT IS THEREFORE ORDERED that:

1. The DSM programs, as described in Kentucky Power's February 26, 2010 application, are approved for implementation,
2. Kentucky Power shall file a separate application seeking authority to recover costs, including net lost revenues and incentives related to its DSM programs.

By the Commission



ATTEST:


Executive Director

Errol K Wagner
Director Regulatory Services
American Electric Power
101A Enterprise Drive
P. O. Box 5190
Frankfort, KY 40602