COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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 RECEIVE INCENTIVES ASSOCIATED WITH THE IMPLEMENTATION OF THE PROGRAMS	)	CASE NO. 2012-00367

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before December 14, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to Kentucky Power's response to Commission Staff's First Request for Information, Item 7b, concerning the cost-effectiveness of the lighting projects conducted under the Commercial Incentive Program. Kentucky Power states that the Commercial Incentive Program is currently not cost-effective, but could become cost-effective if the following conditions were to occur:

> At the level of 2011 actual expenditures the program will be cost-effective and pass the Total Resource Cost (TRC) test if there are 88 completed projects and each project saves on average 25,000 kWh and 5.5 kW; or
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> If the program can achieve at least the originally projected ratio of administrative costs to incentives paid and participants on average at least 25,000 kWh and 5.5 kW.

Also, refer to Kentucky Power's response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 17, concerning Kentucky Power's plans to meet the 2012 participation goals for the Commercial Incentive Program. The response states, in relevant part, "[s]ince June 30^{th}, the [implementation contractor] has hired one additional 'local' staff member to assist with customer visits and outreach activities. The Direct Install ('Express Install' for promotion) has been introduced for small commercial customers and is primarily driven by local contractors."

a. State whether the hiring of an additional local staff member by the implementation contractor has any impact on the number of projects needed to be completed and/or the average energy and demand savings of each of those projects for the program to be cost-effective. If so, provide the revised number of completed projects and the average energy and demand savings of each project.

b. Describe the Direct Install or Express Install promotion.

2. Refer to Kentucky Power's response to Staff's Second Request, Item 1, Residential Efficient Products Program. It states the following:

> Establish separate goals for standard CFL bulbs and non-standard CFL bulbs. These bulbs have different incentive amounts and separation will better allow Kentucky Power to determine the progress of the program and remain with budget.
>
> Add incentive for LED bulbs. The LED bulb market is maturing and costs are decreasing and LEDs are the next step in efficient lighting. EM&V contractor and implementation contractor to evaluate new measure saving impact based on proposed product offering.

a. State what goals would be established for standard CFL bulbs and non-standard CFL bulbs.

b. State what the incentive for LED bulbs would be.

c. If there were to be an incentive for LED bulbs, state whether the LED portion of the Residential Efficient Products Program would be cost-effective.

3. Refer to Kentucky Power's response to Staff's Second Request, Item 1, HVAC Diagnostic and Tune-Up Program.

a. Confirm that contractor incentives will decrease from $50 to $25.

b. Confirm that residential customer's incentives will decrease from $50 to $30.

c. Confirm that commercial customer's incentives will decrease from $75 to $30.

d. Confirm there will be no residential or commercial customer incentive for air conditioners, only for heat pumps, for those customers.

4. In Kentucky Power's May 13, 2010 Application in Case No. 2010-00198,[1] it stated the following:

> Incentives for qualifying prescriptive measures will vary and will be provided to customers at the lesser of (1) a calculated incentive level, or (2) up to 50 percent of the incremental equipment cost of qualifying energy-efficient products (i.e., those costs above federal and/or state efficiency levels).

Refer to Kentucky Power's response to Staff's Second Request, Item 1, Commercial Incentive Program, which states, "[p]rovide incentives of 60 to 70 percent of the installed equipment cost for the Direct Install program targeting small commercial customers (less than 100 kW peak demand)."

a. Confirm that Kentucky Power is requesting to change the incentive level for the Commercial Incentive Program from the current incentive of the lesser of a calculated incentive level or up to 50 percent of the incremental equipment cost of

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[1] Joint Application Pursuant to 1994 House Bill No. 51 for the Approval of Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Recover Costs, Net Lost Revenues and Receive Incentives Associated with the Implementation of One New Combined Residential/Commercial and One Commercial Demand-Side Management Program Beginning August 2, 2010 (Ky. PSC Oct. 15, 2010).

qualifying energy-efficient products to the proposed incentive of 60 to 70 percent of the installed cost of Direct Install program targeting small commercial customers (less than 100 kW peak demand).

b. Explain how the incentive of 60 to 70 percent of the installed cost of Direct Install program will be determined.

c. State whether there will be a maximum annual amount of incentive per project.

d. Explain the less than 100 kW peak demand provision.

5. Refer to Kentucky Power's response to Staff's Second Request, Item 2. State whether Kentucky Power has executed a contract with Consert Inc., and if so, provide a copy.

6. Refer to the following table provided by Kentucky Power in response to Staff's Second Request, Item 14a.

PJM Delivery Year	Resource Clearing Price ($MW-day)
2009/2010	$102.04
2010/2011	$174.29
2011/2012	$110.00
2012/2013	$16.46
2013/2014	$27.73
2014/2015	$125.99
2015/2016	$136.00

Also, refer to the response to Staff's Second Request, Item 14b. It states the following:

> KPCo can not provide the specific capacity cost in response to this request. KPCo DSM programs involve the installation of energy efficiency measures that provide benefits over multiple years. Thus, depending on the measure, the PJM capacity price (or forecast) for as many as 20 years may, in

> part, determine the cost-effectiveness of a measure installed today. In addition, avoided capacity is not the sole determinant of cost-effectiveness. In fact, avoided capacity is typically a smaller component of avoided costs than is the avoided energy value. Additionally, program delivery costs are another component of cost-effectiveness that would have to be considered.

a. Explain the impact on cost-effectiveness in the years 2009 to 2012, when the resource clearing price for a PJM Delivery Year was in excess of $100 per MW-day versus the resource clearing price of $16.46/MW-day for PJM Delivery Year 2012/2013 and what the impact will be on cost-effectiveness of the resource clearing price of $27.72/MW-day for PJM Delivery Year 2013/2014.

b. State the type(s) of program delivery costs that are another component of cost-effectiveness that must be considered.

c. Explain how the program delivery costs are going to change in future program evaluations so that the programs become cost-effective.

d. Describe the program delivery system and state whether the program delivery differs by program.

7. Provide by program, the current 2012 year-to-date participation levels, direct program expenditures, and explain whether Kentucky Power will reach the 2012 goal.

8. If the programs evaluated continue not to be cost-effective, explain why the Kentucky Public Service Commission should continue approving or authorizing the continuation of these non-cost-effective programs.

9. Provide the date of the first billing cycle for the revenue months from January 2013 to April 2013.

Jeff Derouen
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dated DEC 0 3 2012

cc: Parties of Record

Jennifer B Hans
Assistant Attorney General's Office
1024 Capital Center Drive, Ste 200
Frankfort, KENTUCKY 40601-8204

Lila P Munsey
Manager, Regulatory Services
Kentucky Power
101A Enterprise Drive
Frankfort, KENTUCKY 40601

Honorable Mark R Overstreet
Attorney at Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KENTUCKY 40602-0634