

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)	CASE NO.
AND NET LOST REVENUES, AND TO RECEIVE)	2013-00138
INCENTIVES ASSOCIATED WITH THE)	
IMPLEMENTATION OF THE PROGRAMS)	

ORDER

On April 5, 2013, Kentucky Power Company ("Kentucky Power") filed an application seeking approval of revised electric tariffs to recover costs associated with its demand-side management ("DSM") programs, including net lost revenues and program-related incentives for the residential and commercial DSM factors. Kentucky Power requests approval of the DSM Status Report, Schedule C, and the P.S.C. Electric No. 9, Tariff D.S.M.C. 5th Revised Sheet No. 22-2 to become effective May 30, 2013.¹

Pursuant to the Commission Order dated April 24, 2013, a procedural schedule was established and Kentucky Power's proposed effective date of its DSM tariffs was suspended for a five-month period, up to and including October 29, 2013. The procedural schedule provided for, among other things, two rounds of discovery upon

¹ The AG's representative did not approve the proposed DSM Status Report, Schedule C, or proposed revisions to the DSM tariff. The proposed revision of the DSM Adjustment Clause factor for residential customers is supported by its DSM Collaborative with the exception of the representative of the Big Sandy Area Development District ("BSADD"). The representative the BSADD objected to the increased rates for the residential customers required under the revised tariff. The revised DSM Adjustment Clause factor for the commercial customers is supported by Kentucky Power's DSM Collaborative (Cover Letter, pages 2-3).

Kentucky Power's application, an opportunity for the filing of intervenor testimony, and discovery on intervenor testimony. There are no intervenors in this proceeding. At the request² of Kentucky Power, the matter now stands submitted for a decision based on the evidentiary record.

DSM PROGRAMS

Kentucky Power's current DSM programs are as follows:

1. Targeted Energy Efficiency Program – This is a residential weatherization program that is promoted solely through the Community Action Agencies. It is designed to improve energy efficiency for low-income customers through energy audits coupled with the installation of various energy conservation measures for both all-electric and non-all-electric customers. These measures include an energy audit; inspection of heating equipment; weather-stripping; caulking of windows and exterior doors; blower door analysis with air and duct sealing; water-heater blanket, pipe insulation, and thermostat setback; attic, floor, and wall insulation; compact fluorescent light (“CFL”) bulbs; and structural repairs that increase energy efficiency .

2. Mobile Home Heat Pump Program – This program is designed to promote, through heating, ventilation, and air conditioning (“HVAC”) contractors, a more efficient HVAC system for mobile homes. Incentives are paid to both the HVAC dealers and the customers who purchase high-efficiency heat pumps to replace their existing electric furnaces. The customer incentive is \$400 and the dealer incentive is \$50.

3. Mobile Home New Construction Program – This program is designed to lower electric usage in new mobile homes by paying incentives to mobile home

² On June 19, 2013, Kentucky Power filed a Waiver Of Hearing And Request Case Be Submitted For Decision on The Record.

dealerships and the customers who purchase new mobile homes with high-efficiency heat pumps and Zone 3 insulation packages. The customer incentive is \$500 and the dealer incentive is \$50.

4. Modified Energy Fitness Program – This program is designed to promote conservation and efficient use of electricity by improving the energy fitness of electrically heated residences with a minimum average monthly usage of at least 1,000 kWh. The measures include energy audits, blower door testing, caulking and weather-stripping, three faucet aerators, two low-flow showerheads, one CFL bulb, hot-water pipe insulation, duct sealing, a water-heater wrap, a door sweep, water-heater temperature turn-down, and a programmable thermostat. An audit report is also provided which recommends additional actions the homeowner could take. There is no income-level requirement with this program.

5. High Efficiency Heat Pump Program – This program is designed to reduce residential electric energy consumption by upgrading less efficient electric heating and cooling systems with high-efficiency heat pumps. The customer incentive is \$400 and the dealer incentive is \$50.

6. Energy Education for Students Program – This program is designed as both an energy-education program and a program to promote energy-efficient lighting in residential homes. Kentucky Power works with the Kentucky National Energy Education Development (“NEED”) project to provide energy-education materials to participating middle schools. Each seventh-grade student at the participating schools receives a package of four CFL bulbs.

7. Community Outreach CFL Program – This program is designed to promote the conservation and efficient use of electricity by encouraging the use of energy-efficient Energy Star CFL bulbs in place of incandescent light bulbs in residential homes.

8. Residential Efficient Products Program – This program provides incentives and marketing through retailers to build market share and promote usage of Energy Star lighting products to reduce the amount of energy consumed by home lighting.

9. Residential and Commercial Heating, Ventilation, and Air Conditioning Diagnostic and Tune-Up Program – This program works with participating licensed HVAC dealers and targets residential and small-commercial customers with HVAC system-performance problems. The objective of this program is to reduce energy usage by conducting a diagnostic performance check on unitary air conditioning and heat pump units, air-restricted indoor and outdoor coils, and over/under refrigerant charges. The incentives are \$30 for residential customers; \$30 for commercial customers; and \$25 for contractors.

10. Commercial High Efficiency Heat Pump/Air Conditioner Program – This program offers a financial incentive to small commercial customers (those with less than 100 kW demand) who purchase a new qualifying central air conditioner or heat pump, up to a five-ton unit, with a Consortium for Energy Efficiency Tier 1 rating and who comply with pertinent eligibility requirements of this program. In addition, the program offers financial incentives to dealers who sell these high-efficiency units. This program targets the existing retrofit market only. The customer and dealer incentives are:

	Customer		Dealer
	Air Conditioner	Heat Pump	
36,000 or fewer Btu/hr	\$250	\$300	\$50
36,000 to 65,000 Btu/hr	\$400	\$450	\$50

11. Commercial Incentive Program – This program is designed to address cost-effective electricity-saving measures that are not addressed or offered through other Kentucky Power programs. All commercial customers are eligible to participate and all projects must be pre-approved by Kentucky Power prior to purchase and installation of any equipment or materials. Eligible measures include lighting, HVAC applications, and motor and drive. Incentives for qualifying prescriptive measures will vary and will be provided to participating 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).

DISCUSSION

The savings attributable to the DSM programs, including transmission and distribution (“T&D”) line losses, were 6,022,901 kWh during 2012 and 652,178,242 kWh since the inception of the DSM programs. Winter peak demand was reduced by 3,131 kW and summer peak demand was reduced by 2,224 kW during 2012,³ including T&D

³ Page 3 of the DSM Status Report.

line losses. Total DSM costs for 2012 were \$4,112,382 and \$24,327,473 since the inception of the programs.⁴

Table 1 compares 2012 residential participation level and program expenditures by DSM program, with the projected 2013 participants and expenditures by DSM program.

Table 1.

Residential Programs	Actual 2012 Participants	2012 Actual Program Costs	2013 Projected Participants	2013 Budgeted Program Costs
Targeted Energy Efficiency				
- All Electric	185	\$261,986	185	\$265,000
- Non-All Electric	20	\$2,674	20	\$3,000
High - Efficiency Heat Pump				
- Mobile Home	222	\$102,600	220	\$100,500
Mobile Home New Construction				
- Heat Pump	155	\$85,500	155	\$85,900
Modified Energy Fitness	1,200	\$432,224	1,200	\$462,750
High Efficiency Heat Pump				
- Resistance Heat Replacement	161	\$71,550	165	\$75,251
- Heat Pump Replacement	426	\$193,050	430	\$194,499
Energy Education for Student Program (NEED)	2,087	\$28,228	2,200	\$27,000
Community Outreach Program (CFL)	5,641	\$55,431	5,000	\$56,500
Residential Efficient Products				
- Compact Fluorescent Lamp (CFL)	136,219	\$353,807	162,100	\$429,812
- Specialty Bulbs	0	\$37	18,000	\$52,438
- LED Lights	12	\$1,163	500	\$5,700
HVAC Diagnostic & Tune-Up				
- Air Conditioner	222	\$30,869	0	\$200
- Heat Pump	782	\$82,569	650	\$38,750
Residential Load Management				
- Air Conditioner	59	\$108,249	0	\$10,712
- Water Heating	48	\$106,145	0	\$10,713
Total Residential Programs	147,439	\$1,916,082	190,825	\$1,818,725

⁴ Page 2 of the DSM Status Report.

Table 2 compares 2012 commercial participation level and program expenditures by DSM program with the projected 2013 participants and expenditures by DSM program.

Table 2.

Commercial Programs	Actual 2012 Participants	2012 Actual Program Costs	2013 Projected Participants	2013 Budgeted Program Costs
Commercial A/C & Heat Pump Program				
- Air Conditioner Replacement	1	\$11,606	6	\$3,200
- Heat Pump Replacement	20	\$19,805	20	\$10,500
HVAC Diagnostic & Tune-Up				
- Air Conditioner	38	\$12,601	0	\$125
- Heat Pump	100	\$17,976	85	\$9,175
Commercial Load Management				
- Air Conditioner	0	\$16,181	0	\$750
- Water Heating	0	\$16,182	0	\$750
Commercial Incentive	128	\$1,092,272	200	\$1,135,635
Total Commercial Programs	287	\$1,186,623	311	\$1,160,135

The proposed residential DSM factor increases from \$0.000826 per kWh to \$0.002145 per kWh and is calculated to recover program costs, lost revenues, incentives, and under-recoveries of DSM program costs which occurred in 2012 and the first half of 2013.⁵ The proposed commercial DSM factor increases from \$0.000538 per kWh to \$0.000825 per kWh. Residential and commercial DSM factors were last

⁵ According to page 1 of the Cover Letter and page 1 of Exhibit C of the Application, the under-recovery for 2012 is \$1,054,802, and the projected under-recovery for the first-half of 2013 is an additional \$433, 919, for a total \$1,488,721.

revised May 30, 2012 pursuant to the final order in Case No. 2012-00051.⁶ In Case No. 2012-00367,⁷ Kentucky Power requested that the then-current residential and commercial DSM factors remain in effect until the Commission's Order in Kentucky Power's next DSM proceeding, that being the instant case.

KENTUCKY POWER'S LETTER

On June 19, 2013, Kentucky Power submitted a letter reporting its efforts to implement the annual DSM evaluation requirement as directed by the Commission pursuant to its February 22, 2013 Order in Case No. 2012-00367. Kentucky Power's letter noted that prior to the February 22, 2013 Order, the company had contracted with Applied Energy Group ("AEG") to evaluate those DSM programs scheduled to be evaluated in 2013. The Commission's Order in Case No. 2012-00367 required Kentucky Power to file program evaluations of its DSM portfolio no later than August 15, 2014, but did not specifically address the continuation of the Modification Energy Fitness program ("MEF"), which is scheduled to expire on December 31, 2013, at which time it normally would be evaluated.

After the issuance of the February 22, 2013 Order in Case No. 2012-00367, Kentucky Power suspended AEG's services effective March 21, 2013, due largely to the extension of certain DSM programs and the requirement that Kentucky Power evaluate its DSM programs simultaneously with the company's 2014 annual application.

⁶ Case No. 2012-00051, 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 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 May 30, 2012).

⁷ Case No. 2012-00367, 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 to Receive Incentives Associated with the Implementation of the Programs (Ky. PSC Feb. 22, 2013).

Kentucky Power has paid AEG \$1,449 for work performed prior to the evaluation services-being suspended.

In order for Kentucky Power to comply with the requirements set forth in the February 22, 2013 Order in Case No. 2012-00367 regarding evaluation of the company's DSM programs, Kentucky Power maintains that the MEF program will have to continue beyond its December 31, 2013 expiration date. Unless instructed otherwise by the Commission, Kentucky Power advises that it intends to extend the MEF program coordinator contract through December 31, 2014, which would permit the company to evaluate the MEF program along with its other DSM programs.

The Commission finds that the extension of the expiration period of the MEF program through December 31, 2014 is reasonable, given that the program would need to be evaluated in 2014 as part of Kentucky Power's requirement to evaluate all of its DSM programs prior to its annual DSM filing in August 15, 2014.

SUMMARY

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

1. Kentucky Power has kept the Commission informed of the progress and status of its DSM programs by timely filing summary status reports on these programs.
2. Kentucky Power's DSM Status Report and Schedule C as filed should be approved.
3. Kentucky Power's proposed DSM surcharge factors of \$.002145 per kWh for residential customers and \$.000825 per kWh for commercial customers should be approved.

4. Kentucky Power's intention to extend the contract of the MEF program coordinator through December 31, 2014, is reasonable and should be approved.

5. The \$1,449 paid by Kentucky Power to AEG for evaluation services performed should be allowed for recovery in Kentucky Power's next DSM application.

6. A revised tariff sheet showing the proposed DSM factors that are to be effective June 28, 2013 should be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's DSM Status Report and Schedule C are approved as filed.

2. Kentucky Power's proposed DSM surcharge factors of \$.002145 per kWh for residential customers and \$.000825 per kWh for commercial customers are approved effective for service rendered on and after June 28, 2013.

3. Kentucky Power's intention to extend the contract of the MEF program coordinator through December 31, 2014 is approved.

4. Kentucky Power is authorized to include the \$1,449 amount paid to AEG for recovery in Kentucky Power's next DSM application.

5. Within 10 days from the date of this Order, Kentucky Power shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

By the Commission

ENTERED
JUN 28 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2013-00138

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