

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

OCT 11 2012

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) Case No. 2012-00367
REVENUES AND TO RECEIVE INCENTIVES)
ASSOCIATED WITH THE IMPLEMENTATION OF)
THE PROGRAMS)

KENTUCKY POWER COMPANY RESPONSES TO ATTORNEY
GENERAL'S INITIAL SET OF DATA REQUESTS

October 11, 2012

Kentucky Power Company

REQUEST

Reference Exhibit C of Kentucky Power Company's ("KPCo") Application in the above-referenced matter. Based on the figures provided for the existing adjustment clause factor, please provide in dollar amounts on a monthly basis the current charge paid by the average monthly usage customer for each relevant class (residential and commercial) under the existing Tariff Demand-Side Management ("DSM") Clause ("DSM-C").

- a. If the Commission approves the revised Tariff DSM-C, as proposed, what would be the resulting charge, in dollar amounts on a monthly basis, which the average monthly usage customer in each relevant class would pay?
- b. Please provide the cost difference from the current year DSM-C sought to be recovered by the Application.

RESPONSE

a-b. Based on the average usage per customer for the twelve-month period ended August 31, 2012 the requested information is:

	<u>Current Monthly Cost to Customer</u>	<u>Proposed Monthly Cost to Customer</u>	<u>Difference</u>	<u>Avg. kWh</u>
Residential	\$1.13	\$2.78	\$1.65	1,366
Commercial	\$2.16	\$3.60	\$1.44	4,019

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Reference Application, cover letter at p. 2 and the Status Report filed in Case 2012-00051. Regarding the Targeted Energy Efficiency program, for which the forecasted participant levels were reduced, did KPCo consider increasing the amount of program dollars spent per participant house in addition to reducing the number of participants?

- a. If not, would KPCo consider revising the program to increase the amount of program dollars spent per participant house in order to address the reduced funding opportunities available to Community Action Kentucky ("CAK") through the Department of Energy?
- b. Would an increase to the amount of program dollars spent per participant house increase or decrease the cost-effectiveness and quantifiable benefits of the program?
- c. Would KPCo consider evaluating the cost-effectiveness using the National Energy Audit Tool (NEAT) household assessments performed by CAK and its partners? If not, please explain the barriers to using this data and KPCo's reasoning?
- d. What other obstacles, if any, exist to revising the program as proposed in question (a)?
- e. How would revising the program as proposed in question (a), if considered, impact the proposed/revised Tariff DSM-C?

RESPONSE

Yes, if the increased funding were cost effective (see subpart b.) below.

- a. N/A

- b. KPSCo's expectation is that increasing the amount of program dollars spent per participant household would decrease the cost effectiveness of the program as the total cost of the program would increase without a commensurate increase in benefits. Although additional measures would likely result in a total benefit increase, any additional measures would be unlikely to deliver as much benefit per dollar spent as is being achieved from the current set of measures. Without specific measures identified as to where the funds would be spent, a meaningful analysis of the benefits and the effect on the program cost effectiveness is not possible.
- c. KPSCo relies on independent, expert evaluators to provide reliable evaluations of the cost-effectiveness of its DSM programs. If the evaluators recommended using NEAT, KPSCo would consider it.
- d. Revision could reduce the cost effectiveness of the program.
- e. Program expenditures would increase and the average cost per participant would increase. Other recovery components should be unaffected.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Regarding the Mobile Home New Construction program, has KPCo analyzed whether the \$50 sales incentive would be more cost-effective and provide more quantifiable benefit to the program if offered directly to the salesperson after the filing of all necessary program paperwork, rather than to the mobile home dealership?

- a. If not, would KPCo consider analyzing the obstacles and possible benefits that such a strategic change may have for the program?

RESPONSE

Yes. The program currently pays the \$50 incentive to the salesperson where permitted by the salesperson's employer. Otherwise, it is paid to the employer. Currently, two-thirds of the incentive payments are made to the employer and not the salesperson because of the employer's requirements.

- a. N/A

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Regarding the Community Outreach Compact Fluorescent Lamp (“CFL”) and Residential Efficient Products Programs, what consideration has KPCo given the phase-out and/or efficiency requirements under the Energy Independence and Security Act of 2007 (EISA)?

- a. Reference the Application at Tab 1, p. 9. Under the provisions of EISA, what need is there to “influence residential customers to purchase and use compact fluorescent lighting in their homes?”
- b. As part of the marketing, education and promotional activities for the Community Outreach CFL Program and/or Residential Efficient Products Program, is KPCo educating consumers regarding the proper and safe recycling and/or disposal of CFL bulbs as it relates to the mercury content?
- c. If the answer to (b) is yes, does this education include identifying retailers and other locations where CFL bulbs may be properly recycled and/or disposed?

RESPONSE

- a. Consumers still need education relating to energy conservation and efficiency. EISA compliant incandescent light bulbs use more energy than the comparable Compact Fluorescent Lamp bulbs.
- b. Yes. The field representative for the Residential Efficient Products program attends community outreach events. The field representative answers consumer questions regarding energy efficient light bulbs, including proper disposal and recycling.
- c. The field representative for the Residential Efficient Products program identifies stores where CFL bulbs may be recycled. The Kentucky Power website contains links, and the Program Facts Sheets contain website addresses where consumers can obtain more information regarding proper disposal and recycling for CFL bulbs.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Regarding both the Community Outreach CFL Program and Residential Efficient Products Program, reference Application at Tab 5, pp. 30-31. Does KPSC plan to adopt the recommendation of the Program Evaluation to begin offering incentives for light-emitting diodes ("LED") lighting in addition to and/or in lieu of CFL bulbs? If no, why not?

RESPONSE

Yes. The Company is working with the program implementation contractor to offer incentives for LED lighting.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Regarding the Residential Efficient Products Program, reference Application at Tab 5, pp. 31. Does KPCo plan to adopt the recommendation of the Program Evaluation to offer other residential products, including weatherizing caulk or foam, smart strips, Energy Star® appliances, etc.? If no, why not?

RESPONSE

Yes. To be clear, that recommendation was:

KPCo consider examining the cost-effectiveness of incentivizing other residential products. KPCo should work with APT to determine which products, such as smart strips or Energy Star refrigerators should be evaluated, the incentive levels and participation goals. Any decision to incorporate additional products into the program portfolio could affect the program's cost-effectiveness. In addition to cost-effectiveness, KPCo should consider the customer benefit of incorporating the additional products and the potential energy savings.

The Company presently offers the items referenced in the data request (with exception of Energy Star appliances) through the Targeted Energy Efficiency (low income) and Modified Energy Fitness weatherization programs.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Regarding the Residential Efficient Products Program, reference Application at Tab 5, pp. 31. Does KPCo plan to adopt the recommendation of the Program Evaluation to increase marketing and promotion to independent retailers? If no, why not?

RESPONSE

Yes. The implementation contractor is increasing in-store promotions at independent retail stores. The independent retail stores have access to the same in-store signage used at larger retail stores.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Has KPCo and/or the DSM collaborative considered revising the Energy Education for Students Program?

- a. If so, please provide complete details regarding any proposed changes.
- b. Has the company explored with the National Energy Education Development Project ("NEED") additional options for engaging students that would correlate and more directly involve parents, who, who are the residential customers making any ultimate decisions regarding energy efficiency purchases and practices?

RESPONSE

No. The Company evaluated the program in 2011 and continues to explore ways in which the program could be improved. However, at this point, the Company does not propose any changes to this program.

- a. N/A.
- b. Yes. Kentucky Power supports NEED's efforts to encourage teachers to engage students and student organizations to promote energy conservation in their communities.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Regarding KPCo's application for a one year extension of the Pilot Residential Load Management program, reference Application at Tab 4. Please explain the barriers to participation as related to the load management technology's reliance on cellular wireless signals.

- a. Is it correct that the load management technology may only be used on a network that carries the Verizon Wireless signal? Please explain in detail.
- b. What effect does sporadic signal or other temporary loss of signal have on the Pilot Residential Load Management Program for those who have Verizon and opt for the program?
- c. What percentage of KPCo residential customers are served within a network carrying the Verizon Wireless signal?
- d. What percentage of KPCo residential customers are served by another network or networks? Please identify the other providers.
- e. Was this technological incompatibility identified before the pilot program was approved by the Commission? If not, why?
- f. What proactive steps does KPCo plan to implement during the one (1) year extension to correct any technological compatibility issues in order to extend the pilot program to more residential customers?

RESPONSE

The barrier to participation is the quality and availability of a wireless signal.

- a. No. The SMART Gateway meters currently being installed are capable of working with various wireless providers. Initially, the load management technology could only be utilized within a network that carried the Verizon Wireless signal or that of its roaming partners, principally Appalachian Wireless. Consert modified the modems to permit them to accommodate other network providers. Consert currently does not have any agreements with network providers other than Verizon.
- b. The Gateway meter must receive a good signal (i.e. communicate) 98 percent of the time. Customers that have a poor or sporadic signal are not good candidates and cannot participate in the program, regardless of the wireless network.
- c. According to Consert, Inc., and based upon zip codes, approximately 99% of Kentucky Power's service territory is covered by Verizon or one of its roaming partners, primarily Appalachian Wireless.
- d. Other providers include AT&T, T-Mobile and Sprint along with their roaming partners. Consert currently does not have any agreements with network providers other than Verizon, and thus does not know the percentage of KPCo customers served by these carriers.
- e. Kentucky Power's application for the Pilot Residential Load Management Program did not specify a technology. Instead, in its request for proposal described in the application Kentucky Power sought the vendor who could best provide the program services, whether through wireless, one-way, or other means of communication. A vendor had not been selected at the time the Commission approved the Pilot Residential Load Management Program. Subsequent to Commission approval of the Pilot Residential Load Management Program, Kentucky Power selected Consert, Inc. to be the program contractor. The Consert solution includes two-way communication via cellular signal from the utility meter. The solution communicates real-time with load management equipment and offers potential energy savings through customized schedules the consumer programs to operate water heating and HVAC equipment.
- f. Consert is currently installing Gateway meters that are capable of working with other wireless providers.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Regarding the Residential and Small Commercial Load Management Pilot Program, reference Application at Tab 4 at p. iii. Why were the majority of the programs expenditures (91%) attributed to administrative costs?

- a. Please provide a more detailed breakdown of the administrative costs for the program referenced above, or if already provide, please identify where in the application that a cost breakdown may be found.
- b. If the pilot program is extended for one (1) year, please explain how KPCo proposes to mitigate administrative costs. For example, has KPCo considered or would it consider re-negotiating with the program vendor to require the vendor to bear the costs for additional marketing of the program?

RESPONSE

Administrative costs comprised 89% of total program expenditures in 2011 and 62% of total program expenditures for the first 5 months of 2012 (January to May). Administrative costs as a percentage of the total budget decreased as the program set-up was completed and customer installations began in 2012.

- a. Through June 2012:

Residential

Equipment \$4,710

Equipment Installation and/or removal \$2,625

Switch Maintenance \$455.65

Administrative \$67,500

TOTAL \$75,290.65 (referenced in the Status Report Tab 1, pg 12, category 'Equipment/Vendor')

Commercial

Equipment \$0

Equipment Installation and/or removal \$0

Switch Maintenance \$0

Administrative \$7,500

TOTAL \$7,500 (referenced in the Status Report Tab 1, pg 18, category
'Equipment/Vendor')

- b. In negotiating with the vendor for a one-year extension, Kentucky Power will consider all strategies to achieve the lowest overall cost, including mitigation of administrative costs.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Regarding the Commercial Incentive Program, reference Application at Tab 2, the Program Evaluation. Please confirm that the program evaluation found that the program was not cost-effective during calendar year 2011.

- a. Reference p. v. of the Evaluation. Please confirm that the program met only 20% (18 actual projects of 88 budgeted projects) of its participation goal.
- b. Reference p. v. of the Evaluation. Please explain why a local representative was not hired until September 2011, more than a year after the program was approved.
- c. Reference p. vi. of the Evaluation. If granted a three (3) year extension as proposed, how does KPCCo plan to either meet participation goals or reduce administrative costs, as deemed "vital" to achieving an acceptable level of cost-effectiveness?

RESPONSE

The program evaluation determined that the program was not cost-effective during the calendar year 2011.

- a. The program met 20% of its participation goal.
- b. The availability of qualified engineers and energy professionals was limited in the KPCCo service territory, and several qualified out-of-state candidates were not willing to relocate. As a result, the first local employee was hired in September 2011.
- c. The Company issued 'Request for Proposal' for third party implementation contractors for this program on August 20, 2012. The Company is evaluating the proposals and vendors for the best solution for program implementation, including meeting participation goals and reducing administrative costs.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Please provide the minutes of the meeting of the DSM Collaborative at which the current by-laws were adopted.

- a. If the DSM Collaborative updated the current by-laws after October 18, 2012, please provide a copy of the most recently updated and current by-laws.

RESPONSE

Please see pages 2 through 4 of this response.

- a. N/A

WITNESS: E J Clayton

MEMORANDUM

To: DSM Collaborative Members
From: E. J Clayton
Date: 10/20/2010
Subject: Collaborative Meeting Minutes –
Monday, October 18, 2010

A DSM Collaborative meeting was held at the Kentucky Power Service Center (12333 Kevin Ave, Ashland) on Monday October 18, 2010 with E. J. Clayton presiding. The primary purpose of the meeting was to review; the status of existing programs including YTD cost, projected year ending program targets, new DSM programs, 2011 DSM evaluation cost and budget, and revision and update to DSM Collaborative By-Laws.

Clayton opened the meeting and provided each member copies of the 2010 program participant report and the 2010 program expense summary. These documents detailed the YTD status and 4th quarter estimated participates for residential programs in 2010. Other reports and information provided at the meeting include; summary activity levels and projected year end participant targets for Targeted Energy Efficiency, proposed 2011 program evaluation cost, summary of 3 year cost for recently approved DSM programs, and the original and proposed (revised) DSM Collaborative By-Laws.

A Summary of Group Discussion and Action Items include the following topics:

Existing Program Activity Levels and Program Costs

A summary report identifying YTD participant levels through September 2010 was reviewed for existing DSM programs. The report also included 4th quarter participants and resulting end of year total participant levels projected for 2010.

Based on YTD trending, the Mobile Home Heat Pump (MHHP) and Mobile Home New Construction (MHNC) programs are scheduled to finish above end of year target levels (i.e. 150 MHHP, 170 MHNC). The Targeted Energy Efficiency (TEE) program will require a monthly average of 48 participants in all electric and an average of 9 monthly participants for base load, to meet end of year target objectives (i.e. 415 TEE all electric, 78 TEE base-loads). Approximately 404 student participants will be required each month of the remaining 2010 4th quarter, to achieve the end of year objective of 1,700 students for the Energy Education for Students program. All other residential DSM programs are on track for end of year participant target levels.

* Action Item: At January 2011 Collaborative meeting, review 2010 end of year participant levels for MHHP and MHNC programs and determine if adjustment is necessary for 2011.

* Action Item: KPCO DSM personnel to continue with development of teacher and school network for student energy education program. Contact with the school administration and (or) meetings with school educators are continuing to be coordinated through the 4th quarter 2010.

Review New Residential and Commercial DSM Programs

The new programs which have been approved by the KY PSC include; Residential Efficient Products, Commercial High Efficiency Heat Pump/Air Conditioner, HVAC Diagnostic and Tune-up, Commercial Incentive, and Residential and Small Commercial Load Management.

The status of these programs was discussed including target participant levels for 2010, 2011, and 2012.

2011 Program Evaluation Cost

The 2011 program evaluation cost for the 7 existing residential programs was provided to collaborative members for review and vote. AEP Load Research will provide the evaluation studies for the 7 programs at an estimated total cost of \$100,000. A vendor proposal for \$99,365 to evaluate the Target Energy Efficiency program was rejected in lieu of the AEP evaluation program study estimated at \$30,000. The AEP evaluation of programs includes; process evaluations, impact evaluation, benefit/cost analysis, and evaluation report.

The proposed evaluation cost for each of the 7 residential programs was approved by the attending collaborative members by unanimous vote. The group also agreed that customer surveys completed for the Energy Education for Students and Community Outreach programs in 2010 could be used with 2011 program studies resulting in cost savings of approximately \$10,000.

Update to DSM Collaborative By-Laws

The original and updated (amended) DSM By-Laws were distributed to all collaborative members for review and approval. Following discussion and commentary, the by-laws were approved for issue to all members of the collaborative group for a review period of at least 30 days.

* Action Item: E. J. Clayton to issue amended and updated By-Laws to all collaborative members.

* Action Item: E. J. Clayton to follow-up with collaborative members to determine status and if amended and updated By-Laws are confirmed.

Recommended Date for Next Collaborative Meeting

The group did not determine a recommended date and time for next meeting. A Suggested date and time is Thursday, January 20th, 2011, beginning 10:30 am at the Kentucky Power Service Center (12333 Kevin Ave, Ashland KY 41102).

* Action Item: E. J. Clayton to confirm January 2011 collaborative meeting date and time.

Quarterly Collaborative Meeting October 13, 2010 - Participants

Attending:

Mike Howell
Heather Kash
Dan McKenzie
Bertha Daniels
Kim Tackett
Ralph Goble
E J Clayton
Scott Bishop

Big Sandy Community Action
Office of the Attorney General
CAK
BSADD
Northeast KY Community Action
Floyd County Schools
KY Power Company
KY Power Company

Absent:

Darrell Shouse
Wallace Rose
Brett Davis
Gary Brown
David Hall
Annie Thompson

Middle KY Community Action
Gateway Community Action Agency
LINKS, Inc.
Kentucky Housing Corporation
Our Lady Bellefonte Hospital
LKLP Community Action Council, Inc.

Visitors:

Ranie Wohnhas
Shannon Listebarger

KY Power Company
KY Power Company

Kentucky Power Company

REQUEST

Please provide a list of all current contractors, consultants, and firms under contract with KPCo to support the current DSM programs, including for which programs these contracts relate

RESPONSE

Current contractors, consultants, and firms under contract with KPCo to support the current DSM programs:

2012 Evaluations - Applied Energy Group, Inc
Commercial Incentive - KEMA Services Inc.
Pilot Load Management - Consert, Inc.
Modified Energy Fitness - Honeywell International, Inc.
Student Energy Education - National Energy Education Development Project, Inc.
Residential Efficient Products - Applied Proactive Technologies, Inc.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Please provide, in electronic format with formulas intact and cells unprotected, the kWh impacts by participant for each program.

RESPONSE

Please see the response to KPSC 1-34.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Please provide, in electronic format with formulas intact and cells unprotected, Exhibit C.

RESPONSE

Please see the response to KPSC 1-35.

WITNESS: Lila P Munsey