



April 25, 2014

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Mr. Jeff R. Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

**Re: Alexander DeSha and Sierra Club's Response to Commission Staff's First
Request for Information, Case No. 2013-00487**

Dear Mr. Derouen,

Enclosed for filing are an original and ten copies of Alexander DeSha and Sierra Club's Response to Commission Staff's First Request for Information in Case No. 2013-00487 before the Kentucky Public Service Commission. This filing contains no confidential information. By copy of this letter, all parties listed on the Certificate of Service have been served via U.S. mail and e-mail.

Sincerely,

Jill M. Tauber
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Encl.

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)	CASE NO. 2013-00487
RECOVER COSTS AND NET LOST REVENUES,)	
AND TO RECEIVE INCENTIVES ASSOCIATED)	
WITH THE IMPLEMENTATION OF THE)	
PROGRAMS)	

**ALEXANDER DESHA AND SIERRA CLUB’S RESPONSE TO COMMISSION STAFF’S
FIRST REQUEST FOR INFORMATION**

Intervenors Alexander DeSha and Sierra Club (collectively “Sierra Club”) hereby submit their response to Commission Staff’s First Request for Information.

KPSC Case No. 2013-00487
SC Response to Staff's First Request
Item No. 1
Respondent: Dan Sawmiller

Request No. 1: Refer to page 13 of Alexander DeSha and Sierra Club's comments regarding Kentucky Power Company's ("Kentucky Power") DSM Application, which states, "In sum, Sierra Club supports KPC's proposal to increase its investment in DSM in 2014 and urges the Company to consider further program improvements and additions to allow it to achieve greater levels of energy savings, which would benefit KPC and its customers."

(a) Explain how Kentucky Power can achieve greater levels of energy savings and program improvements/enhancements in its demand-side management ("DSM")/energy efficiency ("EE") portfolio.

(b) Provide a description of DSM/EE programs not currently in Kentucky Power's DSM/EE portfolio that Kentucky Power might consider in achieving energy savings, considering the declining customer base, decreasing load, geographic location, unemployment rate, and income level of potential participants.

Response No. 1(a):

As noted in our comments, Kentucky Power Company's ("KPC" or "the Company") investment in energy efficiency and its resultant energy savings have been low. During the last five years, KPC's efficiency programs have achieved energy savings that are equivalent to just 0.37% of the Company's retail sales on a cumulative basis and the Company projects saving only 0.18% of sales in 2014. *See* Sierra Club Comments at 7-8 (citing to KPC's Response to Sierra Club's Supplemental Request No. 2, Attachment 1). Conducting a comprehensive energy efficiency market potential study that adheres to best practices should help the Company assess the level and types of savings that it can capture in its service territory and develop a long-term strategy for ramping up cost-effective savings. *See id.* at 9-11. As noted in our comments, conducting a potential study is often the first step taken in expanding a portfolio of efficiency programs. It is particularly critical that the potential study examine savings opportunities for *all* customer sectors, and that the study incorporate a transparent and robust stakeholder feedback process. *Id.*

The Company should also continue to work to develop program improvements and achieve greater levels of savings during the pendency of the market potential study. As observed in our comments, KPC should evaluate ways to reduce administrative costs and increase program incentive investments, an important driver of increased program participation and, in turn, savings. *See id.* at 5-6. KPC should also examine alternative market delivery options, such as mid-stream incentive delivery mechanisms (*i.e.*, entering agreements with retailers to reduce the cost of measures to be sold in KPC's service territory) and upstream mechanisms (*i.e.*, providing incentives to manufacturers and distributors to reduce prices for measures targeted at specific markets).

Even without a KPC-specific potential study, it is apparent from state-wide efficiency potential studies that significant additional efficiency opportunities exist. A 2012 study of efficiency potential in Kentucky conducted by the American Council for an Energy-Efficient Economy (“2012 ACEEE Kentucky Efficiency Assessment”) concluded that Kentucky utilities could reduce consumption by at least 19% by 2030, with approximately 7% of savings coming from the residential sector, 6% from the commercial sector, and 6% from the industrial sector.¹ The 2012 ACEEE Kentucky Efficiency Assessment examined the savings potential from approximately 70 efficiency measures across customer sectors and provided detailed descriptions of each measure and potential savings by end use. The study emphasized that its estimation of cost-effective efficiency is conservative because it did not include new and emerging efficiency technologies, nor did it consider process-specific efficiency measures at large industrial sites that could substantially increase potential savings.²

In another 2012 study, called “An Assessment of Utility Program Portfolios in the Commonwealth of Kentucky,” ACEEE assessed the energy efficiency portfolio of KPC (and three other Kentucky utilities) and made recommendations as to how KPC could improve its portfolio.³ The study found that “[t]he addition of programs that target new construction and whole-house retrofits (beyond low-income customers), for example, would boost residential portfolio savings considerably. KPC could also consider the addition of an autonomous refrigerator recycling program and a home-energy reports / information feedback program, the latter of which would also serve as an educational tool for homeowners.”⁴ Sierra Club encourages the Company to explore these program ideas. The study also found that a robust commercial portfolio and industrial offerings would help KPC increase its energy savings. As the study noted, “programs must reach all customer segments of a market (low- and moderate-income households, small and large commercial buildings, small and large industrial facilities) and target all major end-uses (lighting, HVAC, water heating) in order to maximize savings.”⁵

¹ Max Neubauer *et al.*, Energy Efficiency Cost-Effective Resource Assessment for Kentucky, at I tbl.ES-1, ACEEE (Mar. 8, 2012), available at <http://energy.ky.gov/Programs/Documents/KY%20Econ%20Potential%20Analysis%20-%20FINAL%20-%202013-15-12.docx> (“2012 ACEEE Kentucky Efficiency Assessment”).

² *Id.* at i.

³ Max Neubauer *et al.*, An Assessment of Utility Program Portfolios in the Commonwealth of Kentucky, ACEEE (June 14, 2012), available at http://energy.ky.gov/Programs/SEE%20KY/July%202012%20Meeting/KY%20Utility%20Program%20Analysis-FINAL_7-2-12.pdf (“ACEEE Utility Program Assessment”).

⁴ *Id.* at 15.

⁵ *Id.* at 23; *see id.* at 22-27 for general program improvement suggestions.

Response No. 1(b):

Please see Response No. 1(a).

As discussed above and in our comments, a properly-conducted potential study will provide a better sense of program opportunities, and the Sierra Club anticipates developing and sharing program design ideas as part of the stakeholder collaborative process.

Perceived or potential barriers to achieving greater levels of energy efficiency savings can be addressed with well-designed targeted programs that, among other things, reduce upfront capital investments, address split incentives, reduce administrative costs, and seek to maximize participation rates. Energy efficiency programs represent the least-cost resource option available to utilities, at an average levelized cost of 2.8 cents/kWh.⁶ The delivery of this low-cost resource benefits the utility and customers. For example, with enhanced investment in energy efficiency programs, Kentucky electricity billpayers could save over \$2.1 billion annually by 2030 (with an estimated \$670M in annual savings to the residential sector, \$540M to the commercial sector, and \$390M to the industrial sector).⁷ These savings opportunities can promote local economic development by creating jobs, increasing the disposable income of citizens, and making local companies more competitive.⁸

Dated: April 25, 2014

Respectfully submitted,



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⁶ See, e.g., Maggie Molina, *The Best Value for America's Energy Dollar: A National Review of the Cost of Utility Energy Efficiency Programs*, ACEEE (March 2014), available at <http://www.aceee.org/research-report/u1402>.

⁷ ACEEE Kentucky Efficiency Assessment at I tbl.ES-1.

⁸ *Supra* note 6.

Of Counsel: _____

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CERTIFICATION

The undersigned, Daniel J. Sawmiller, Senior Campaign Representative at Sierra Club, attests that the information contained in the forgoing responses for which he is the identified sponsor is true and correct to the best of his information, knowledge, and belief after a reasonable inquiry.



Daniel J. Sawmiller

Dated: April 25, 2014

CERTIFICATE OF SERVICE

I certify that I have served a copy of this **Alexander DeSha and Sierra Club's Response to Commission Staff's First Request for Information** by first class mail and electronic mail on April 25, 2014 to the following:

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