COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION PURSUANT TO 1994 HOUSE BILL NO. 501 FOR THE APPROVAL OF AMERICAN ELECTRIC POWER/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 AEP/KENTUCKY COLLABORATIVE DEMAND SIDE MANAGEMENT PROGRAMS	)	CASE NO.95-427

O R D E R

In Item 3 of the response by American Electric Power/Kentucky Power Company (AEP/Kentucky) to the Commission s October 22, 1999 Order, AEP/Kentucky indicated that if the Commission were unable to rule on this application before the end of calendar year 1999, when its existing DSM programs are scheduled to terminate, it would request that the Commission authorize the existing DSM programs be continued until the Commission issues a final Order herein. The Commission considers this to be a reasonable request and will allow the existing programs to continue until such time as a final Order is issued in this proceeding.

IT IS THEREFORE ORDERED that AEP/Kentucky s existing DSM programs, which had been scheduled to terminate at the end of calendar year 1999, shall be continued until a final Order has been issued in this proceeding.

IT IS FURTHER ORDERED that AEP/Kentucky shall file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 2(b), Sheet 2 of 4. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure it is legible. The information requested herein is due no later than 20 days from the date of this Order.

1. Refer to Item 2, page 2 of 35, of the response to the Commission s October 22, 1999 Order in responding to the following questions.

a. The benefit to cost (B/C) ratio under the Total Resource Cost (TRC) test for the Targeted Energy Efficiency (TEE) program is .42 as shown for the total program including both all electric and non-all electric customers. Over the next three years the program is targeted to serve 600 all electric customers and 300 non-all electric customers. If those two segments of the program are evaluated separately, confirm whether the B/C ratio under the TRC test is .37 for the all electric segment and 1.36 for the non-all electric segment.

b. Exhibit 2-28 of the Integrated Resource Planning (IRP) Report filed by AEP/Kentucky in Case No. 99-437[1] shows that the mix of residential customers in 1998 was approximately 51 percent all electric and 49 percent non-all electric. Given

[1] Case No. 99-437, Integrated Resource Planning Report of Kentucky Power Company d/b/a American Electric Power to the Kentucky Public Service Commission, October, 1999, filed October 21, 1999.

this customer mix, explain why, for the next three years, the TEE program is being planned so that two-thirds of the participants will be all electric customers.

c. The data response indicates that the savings in energy impact and demand impact is larger, on a per-participant basis, in the all electric customer segment of the TEE program. In addition, the $925 cost per participant in the all electric segment is more than nine times the cost for a non-all electric participant. Describe the amount of consideration given by AEP/Kentucky and its collaborative to modifying the program to target a larger percentage of non-all electric customers in order to make the program more cost effective.

2. Prior to making the August 16, 1999 filing, to what extent had AEP/Kentucky and its collaborative reviewed and considered the Commission s Order in Case No. 97-083[2] in which a program similar, in many respects, to the TEE program, was terminated largely because it was not cost-effective?

3. Page 3-5 of the recent IRP Report filed by AEP/Kentucky, which includes a discussion of the DSM evaluation process, states that, [I]n anticipation of deregulation, the emphasis of the DSM evaluation process has been shifted from the societal perspective, as reflected in the Total Resource Cost (TRC) test, to the ratepayer perspective, as reflected in the Ratepayer Impact Measure (RIM) test . . . . Exhibit 3-2 of that report shows that, per AEP/Kentucky s 1999 DSM program screening summary, all six programs that are proposed to be continued in this proceeding have a B/C ratio under the RIM test less than 1.0.

[2] Case No. 97-083, Louisville Gas and Electric Company, The Joint Application of the Members of the Louisville Gas and Electric Company Demand-Side Management Collaborative for the Review, Modification and Continuation of the Collaborative Process, DSM Programs, and Cost Recovery Mechanisms, Order dated April 27, 1998.

a. Since the filing of the August 16, 1999 application in this proceeding, has either AEP/Kentucky or its DSM Collaborative changed or modified its intent to continue the six programs identified in that application due to their failure to pass the RIM test in the 1999 DSM screenings?

b. Explain how AEP/Kentucky and its DSM Collaborative reconcile the application in this proceeding, and the proposal to continue these six programs, with the statement and screening results for the six programs contained in the IRP report.

4. The Commission has previously expressed serious reservations about continuing any DSM programs that are not cost-effective, or appear to be incapable of being made cost-effective. Assuming that the B/C ratio under the TRC test is still considered to be an appropriate measure of the cost-effectiveness of a DSM program, if no other options were available, which of the following two options would AEP/Kentucky and its DSM Collaborative prefer in regard to the TEE program?

a. Discontinue the program due to its lack of cost-effectiveness.

b. Modify the program to target approximately 200-225 all electric customers with the remainder of the funds budgeted for the program used to serve non-all electric customers. Based on the cost information included in Item 2 of the response to the Commission s October 22, 1999 Order, this would result in serving approximately 3,000-3,500 non-all electric customers, and would result in a B/C ratio near, or in excess of, 1.0.

Done at Frankfort, Kentucky, this 20th day of December, 1999.

By the Commission

ATTEST:

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Executive Director