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September 23, 2005

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**HAND DELIVERED**

Beth O' Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

RECEIVED

SEP 23 2005

PUBLIC SERVICE  
COMMISSION

Re: Application for the Approval of Kentucky Power Company's Demand-Side  
Management Programs and Associated Tariff  
P.S.C. Case No. 2005-00333

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and seven (7) copies of Kentucky  
Power Company's Responses to the September 9, 2005 First Data Request of Commission Staff.

Please do not hesitate to contact me if you have any questions.

Sincerely yours,

STITES & HARBISON, PLLC

*Mark R. Overstreet/las*  
Mark R. Overstreet

MRO/las

Enclosure

KE057:KE181:12935:1:FRANKFORT

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE**  
**PUBLIC SERVICE COMMISSION OF KENTUCKY**

**RECEIVED**

SEP 23 2005

PUBLIC SERVICE  
COMMISSION

**IN THE MATTER OF**

**APPLICATION FOR THE APPROVAL OF KENTUCKY )  
POWER COMPANY'S DEMAND-SIDE MANAGEMENT )  
PROGRAMS AND ASSOCIATED TARIFF )**

**CASE NO. 2005-00333**

**KENTUCKY POWER'S RESPONSES TO  
COMMISSION'S FIRST SET OF DATA REQUESTS**

**September 23, 2005**



**Kentucky Power Company**

**REQUEST**

Kentucky Power has requested that its revised demand-side management ("DSM") rider be implemented at the beginning of the billing period for October 2005. Provide the beginning dates for the billing periods for the months of November and December 2005.

**RESPONSE**

The beginning dates for the billing periods for the month of November 2005 is October 27, 2005 and for the month of December 2005 is November 29, 2005.

WITNESS: Errol K Wagner



## Kentucky Power Company

### REQUEST

Kentucky Power has requested that the participation level in its Modified Energy Fitness Program be increased to 1,000 customers. Explain whether Kentucky Power considered increasing the participation levels of any of its other DSM programs.

### RESPONSE

The DSM Collaborative did not consider increasing the participation levels of the other DSM programs. Historically, the participation levels of the programs have been increased or decreased to reflect economic and market conditions within the Kentucky Power service area. These conditions have not changed substantially within the last reporting period. Therefore, the DSM Collaborative based the projected 2006 participation levels for the other programs on 2005 levels.

WITNESS: Errol K Wagner



## Kentucky Power Company

### REQUEST

Refer to the "Demand Side Management Status Report" filed under Tab 3 of the application.

- a. Page 10 indicates that the participant and budget levels for 2006 for the Targeted Energy Efficiency Program have been revised to what Kentucky Power's ("Collaborative") believes to be reasonably achievable goals. Provide the previous participation and budget levels for 2006 and explain how the collaborative determined that the revised levels are "reasonably achievable goals."
- b. Page 29 indicates that the participant and budget levels for 2006 for the Mobile Home High Efficiency Heat Pump Program have been revised to what the Collaborative believes to be reasonably achievable goals. Provide the previous participant and budget levels for 2006 and explain how the Collaborative determined that the revised levels are "reasonably achievable goals."
- c. Page 22 indicates that the participant and budget levels for 2006 for the Mobile Home New Construction Program have been revised to what the Collaborative believes to be reasonably achievable goals. Provide the previous participant and budget levels for 2006 and explain how the Collaborative determined that the revised levels are "reasonably achievable goals."

### RESPONSE

- a. The Company apologizes for any confusion the response may have created. In trying to develop the 2006 levels, the Collaborative used as a guideline last year's projected numbers. The Collaborative agreed that the participant level would not change – 150 all-electric and 75 non-all-electric homes would be the projected participant level for 2006. However, when developing the 2006 budget level, the Collaborative agreed that it would not incur evaluation costs of \$30,000 in 2006, therefore; the budget was reduced by that amount. The 2005 budget level in the amount of \$225,000 was reduced or "revised" to \$195,000 for 2006. The Collaborative then approved the projected levels for 2006.

- b. Again the Company apologies for any confusion the response may have created. In trying to develop the 2006 levels, the Collaborative used as a guideline last year's projected numbers. The Collaborative agreed that the participant level would not change – 100 high efficiency heat pumps would be the projected participant level for 2006. However, when developing the 2006 budget level, the Collaborative agreed that it would not incur evaluation costs of \$5,000 in 2006; therefore, the budget was reduced by that amount. The 2005 budget level in the amount of \$55,000 was reduced or "revised" to \$50,000 for 2006. The Collaborative then approved the projected levels for 2006.
- c. Again the Company apologies for any confusion the response may have created. In trying to develop the 2006 levels, the Collaborative used as a guideline last year's projected numbers. The Collaborative agreed that the participant level would not change – 150 high efficiency heat pumps would be the projected participant level for 2006. However, when developing the 2006 budget level, the Collaborative agreed that it would not incur evaluation costs or air-conditioning measures in the amount of \$8,750 in 2006; therefore, the budget was reduced by that amount. The 2005 budget level in the amount of \$96,250 was reduced or "revised" to \$87,500 for 2006. The Collaborative then approved the projected levels for 2006.

WITNESS: Errol K Wagner



## Kentucky Power Company

### REQUEST

The application letter, Appendix A to the application, and the benefit-cost reports and benefit-cost sections of the evaluation reports included in Kentucky Power's filing show that the benefit-cost ratios for the existing DSM programs have increased since the previous evaluations performed in 2002. The analyses performed by Kentucky Power indicate that increased coal costs and increased SO<sub>2</sub> and NO<sub>x</sub> allowance costs contributed to the highest benefit-cost ratios.

- a. In light of the increases in these categories of costs, explain whether Kentucky Power, or its Collaborative, considered performing new screening evaluations of DSM measures that previously had not been able to pass the standard benefit-cost tests employed in evaluating potential DSM programs in conjunction with this filing. If this was not considered, explain why.
- b. When did Kentucky Power last perform a screening evaluation of potential DSM measures? Based on the cost increases that have occurred, when does it plan to perform a new screening of potential DSM measures?

### RESPONSE

- a. The AEP System is currently revising and updating its DSM analysis and planning process, which is applied to each of its operating jurisdictions, including Kentucky Power, as part of AEP's overall Integrated Resource Planning (IRP) process. A wide range of potential DSM measures is being screened as part of that process. A preliminary screening of those measures has been completed, and is undergoing review and updating. The Collaborative has not been involved in AEP's IRP DSM analysis and planning process revision. The values reflected in the current filing were based on the same procedures as previous filings.
- b. AEP/KPCo completed a preliminary screening evaluation of potential DSM measures in June, as discussed in the response to Item 4a; that screening evaluation is undergoing review and updating. AEP/KPCo plan to review and update the DSM analysis on at least an annual basis, in connection with its overall IRP review and updating.

WITNESS: Donald Music/Errol K. Wagner



## Kentucky Power Company

### REQUEST

Kentucky Power proposes to roll over any over-or under-collection amount from its Commercial Smart Incentive Program into the amounts charged the residential sector. Provide an estimate of the amount of over-or under-collections that will be rolled over into the residential sector.

### RESPONSE

Per the August 15, 2005 filing, the estimated amount of under collection from the commercial sector, assuming an effective date of September 28, 2005 for the new rates, to be rolled into the residential sector, per Exhibit C, Page 1, Column 4, Line 21, was \$3,323 under collection. But assuming the existing commercial surcharge factor remains in effect through the end of the year, the estimated amount of under collection from the commercial sector to be rolled into the residential sector is \$16,154. The \$16,154 under collection is demonstrated on Page 2 of 2, Column 4, Line 21 of this response.

WITNESS: Errol K Wagner

Revised

KENTUCKY POWER COMPANY  
DERIVATION OF 3 SECTOR SURCHARGES FOR 3 YR  
EXPERIMENT

Exhibit C

	TOTAL YEARS 1 thru 9	YEAR 10	YEAR 10	YEAR 10	TOTAL
		(2005)	(2005)	(2005)	
		1st HALF	3rd QTR	4th QTR	
	(1)	(2)	(3)	(4)	(5)
1 CURRENT PERIOD AMOUNT TO BE RECOVERED	\$6,866,991	\$415,281	\$201,436	\$197,054	\$7,680,762
2 CUMULATIVE (OVER)/UNDER COLLECTION	0	168,816	149,830	207,761	0
3 18 MOS. RETROACTIVE(OVER)/UNDER ADJUSTMENT	(41,824)	0	0	\$0	(\$41,824)
4 TOTAL TO BE RECOVERED	6,825,167	584,097	351,266	404,815	7,638,938
5 TOTAL AMOUNT RECOVERED	6,646,518	434,267	0	0	\$7,080,785
6 EXPECTED FUTURE RECOVERIES	0	0	143,505	306,366	\$449,871
7 TRANSFER PORTION OF BALANCE FROM INDUSTRIAL	(9,833)	0	0	0	(\$9,833)
8 (OVER)/UNDER COLLECTION TO BE REFUNDED	\$168,816	\$149,830	\$207,761	\$98,449	\$98,449
9 AMOUNT TO BE RECOVERED				\$404,815	
10 ADJ. ESTIMATED SECTOR KWH - YEAR 10			569,466,200	649,080,700	
SURCHARGE RANGE (\$ PER KWH)					
11 FLOOR (CARRYOVER)	COL. 4, L 2 / COL. 4, L 10			0.000320	
12 MIDPOINT - proposed rate			0.000252	0.000472	
13 CEILING (TOTAL COST)	COL. 4, L 4 / COL. 4, L 10			0.000624	
COMMERCIAL SECTOR					
	TOTAL YEARS 1 thru 9	YEAR 10 (2005)	YEAR 10 (2005)	YEAR 10 (2005)	TOTAL
	(1)	1st HALF (2)	3rd QTR (3)	4th QTR (4)	(5)
14 CURRENT PERIOD AMOUNT TO BE RECOVERED	\$2,854,245	\$27,168	\$10,972	\$6,933	\$2,899,318
15 CUMULATIVE (OVER)/UNDER COLLECTION	0	(5,565)	2,033	10,792	0
16 18 MOS. RETROACTIVE(OVER)/UNDER ADJUSTMENT	1,520	0	0	0	\$1,520
17 TOTAL TO BE RECOVERED	2,855,765	21,603	13,005	17,725	2,900,838
18 TOTAL AMOUNT RECOVERED	2,858,052	19,570	0	0	\$2,877,622
19 EXPECTED FUTURE RECOVERIES	0	0	2,213	1,571	\$3,784
20 TRANSFER PORTION OF BALANCE FROM INDUSTRIAL	(3,278)	0	0	0	(\$3,278)
21 (OVER)/UNDER COLLECTION TO BE REFUNDED	(\$5,565)	\$2,033	\$10,792	\$16,154	\$16,154
22 AMOUNT TO BE RECOVERED				\$17,725	
23 ADJ. ESTIMATED SECTOR KWH - YEAR 10			368,800,200	261,854,100	
SURCHARGE RANGE (\$ PER KWH)					
24 FLOOR (CARRYOVER)	COL. 4, L 15 / COL. 4, L 23			0.000000	
25 MIDPOINT - proposed rate			0.000006	0.000006	
26 CEILING (TOTAL COST)	COL. 4, L 17 / COL. 4, L 23			0.000000	
INDUSTRIAL SECTOR					
	TOTAL YEARS 1 thru 9	YEAR 10 (2005)	YEAR 10 (2005)	YEAR 10 (2005)	TOTAL
	(1)	1st HALF (2)	3rd QTR (3)	4th QTR (4)	(5)
27 CURRENT PERIOD AMOUNT TO BE RECOVERED	\$79,026	\$0	\$0	\$0	\$79,026
28 CUMULATIVE (OVER)/UNDER COLLECTION	0	0	0	0	0
29 18 MOS. RETROACTIVE(OVER)/UNDER ADJUSTMENT	0	0	0	0	\$0
30 TOTAL TO BE RECOVERED	79,026	0	0	0	79,026
31 TOTAL AMOUNT RECOVERED	92,137	0	0	0	\$92,137
32 EXPECTED FUTURE RECOVERIES	0	0	0	0	\$0
33 TRANSFER BALANCE TO RESIDENTIAL & COMMERCIAL	13,111	0	0	0	\$13,111
34 (OVER)/UNDER COLLECTION TO BE REFUNDED	\$0	\$0	\$0	\$0	\$0
35 AMOUNT TO BE RECOVERED				\$0	
36 ADJ. ESTIMATED SECTOR KWH - YEAR 10			300,935,400	324,936,600	
SURCHARGE RANGE (\$ PER KWH)					
37 FLOOR (CARRYOVER)				0.000000	
38 MIDPOINT				0.000000	
39 CEILING (TOTAL COST) - proposed rate				0.000000	