

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR THE APPROVAL OF)	
KENTUCKY POWER COMPANY'S)	CASE NO.
DEMAND-SIDE MANAGEMENT PROGRAMS)	2005-00333
AND ASSOCIATED TARIFF)	

O R D E R

On August 15, 2005, American Electric Power d/b/a Kentucky Power Company ("Kentucky Power") filed its 6-month status report and specific program evaluation reports on behalf of its Demand-Side Management Collaborative ("Collaborative"). The filing includes:

- status reports for each of Kentucky Power's Demand-Side Management ("DSM") programs;
- a revised Experimental DSM Adjustment Tariff ("DSM Tariff") to adjust the residential and commercial DSM surcharge factors effective September 28, 2005;
- a request to extend for 3 years the Targeted Energy Efficiency Program, High Efficiency Heat Pump-Mobile Home Program, Mobile Home New Construction Program and Modified Energy Fitness Program;
- a request to increase annual participation levels for the Modified Energy Fitness Program to 1,000 customers per year;
- a request to discontinue the incentive at the end of the 2005 calendar year for the installation of high efficiency air conditioning in the Mobile Home New Construction Program;
- and to discontinue applying the DSM factor to commercial sector bills with the last billing cycle in December 2005 for the Commercial DSM program.

The individual status reports include year-to-date and program-to-date costs of each program through June 30, 2005, and estimated year-to-date and program-to-date demand and energy savings attributed to each program through June 30, 2005.

The revised DSM Tariff increases the DSM surcharge factors for both residential and commercial customers. The factor for the residential class will change from \$.000252 to \$.000472 per kWh and the commercial class factor will change from \$.000006 to \$.000055 per kWh. These revised factors were calculated using the same methodology utilized by Kentucky Power and approved by the Commission in each of Kentucky Power's semi-annual DSM filings since 1995.

DISCUSSION

Generally, the Commission agrees with the proposals contained in the August 15, 2005 DSM filing. However, we believe that discussion of some of the individual proposals is warranted. Any proposals not discussed specifically in the following paragraphs are approved as requested.

Modified Energy Fitness Program ("MEF")

The MEF program provides home energy audits, energy education, and weatherization services to customers using electricity as their heating and water heating source, regardless of income level. In its last order, the Commission approved the MEF program as a 3-year program. The goal was to serve 500 customers during each year of the program, to run consecutively until 1,500 participants were served. Because demand was greater than anticipated, the Commission approved Kentucky Power's subsequent request to increase the number of homes eligible for weatherization service

from 1,500 to 2,000 over the 3-year life of the program.¹ The Commission agrees with, and will approve, Kentucky Power's request to increase the annual participation level to 1,000 customers per year to meet the increased demand from customers.

Mobile Home New Construction ("MHNC")

Kentucky Power has requested approval to discontinue its incentive to dealers and customers for the high efficiency central air conditioning portion of its MHNC program as of December 31, 2005. Only two customers participated in the program during 2003-2004 and participating dealerships are not promoting the air conditioning systems due to the increased cost. In addition to the cost, revised federal energy efficiency standards are scheduled to go into effect on January 23, 2006 that will increase the standard to 13.0 SEER for air-conditioning systems covered by the MHNC program. The Department of Energy's Office of Hearing and Appeals has recently granted an exception from the 2006 13.0 SEER requirement to Nordyne. Under this ruling, Nordyne can continue to install 12.0 SEER air-conditioning systems in HUD-Code homes until January 1, 2010. Because 70 percent of mobile home dealers use Nordyne equipment, for practical purposes the exception eliminates any realistic possibility of upgrading the air-conditioning systems next year. Therefore, Kentucky Power is requesting approval to discontinue the incentive. The Commission believes that Kentucky Power has provided sufficient reasons for discontinuing the incentive for the air-conditioning portion of its MHNC program and will grant this request.

¹ Case No. 2004-00316, The Semi-Annual Demand Side Management Program and Cost Recovery Filing of American Electric Power d/b/a Kentucky Power, Order dated September 24, 2004.

Commercial Sector DSM Billings

Kentucky Power discontinued its commercial DSM programs as of December 31, 2002, but will continue to collect lost revenues for installed energy conservation measures in the Commercial Smart Incentive Program until December 31, 2005. Kentucky Power is requesting approval to cease applying the DSM factor to commercial sector bills with the last billing cycle in December 2005. Kentucky Power proposes to roll over any over- or under-collection into the residential sector as was previously done when Kentucky Power discontinued its industrial sector DSM programs. The amount that would roll over to the residential sector, calculated through the end of 2005, is a \$16,154 under-collection.

The Commission has already approved the discontinuation of the commercial DSM programs and the continued collection of lost revenues under a sunset provision. Since the programs are discontinued and the collection of lost revenues is due to expire in December 2005, the Commission sees no reason to continue applying the DSM factor to commercial sector bills after the expiration date. Having considered the circumstances regarding the \$16,154 amount remaining from the commercial class under-collections and the de minimus impact that a new surcharge credit would have on commercial customers' bills, the Commission approves the recommendation of the Collaborative to collect the remaining amount from the residential class.²

² This is consistent with the treatment afforded in Case No. 2000-00070 (The Demand Side Management Program and Demand Side Management Program Cost Recovery Filing of American Electric Power/Kentucky Power) wherein the over-collection of costs from industrial customers' DSM programs was rolled-in and credited prospectively, to the residential and commercial class customers.

SUMMARY

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

1. Kentucky Power has continued to keep the Commission properly informed of the progress and status of its DSM programs by filing the individual status reports.
2. Kentucky Power's revised DSM surcharge factors are reasonable as they reflect the expected level of DSM program costs for the remainder of calendar year 2005 and the true-up of prior period DSM costs and revenues.
3. The Targeted Energy Efficiency Program, High Efficiency Heat Pump-Mobile Home Program, Mobile Home New Construction Program and Modified Energy Fitness Program should be continued for 3 years.
4. The annual participation levels for the Modified Energy Fitness Program should be increased to 1,000 customers per year.
5. The request to discontinue the incentive at the end of the 2005 calendar year for the installation of high efficiency air conditioning in the Mobile Home New Construction Program should be approved.
6. The request to discontinue applying the DSM factor to commercial sector bills with the last billing cycle in December 2005 from the Commercial DSM program should be approved.
7. The request to roll over the remaining amount in the Commercial DSM program into the residential class should be approved.

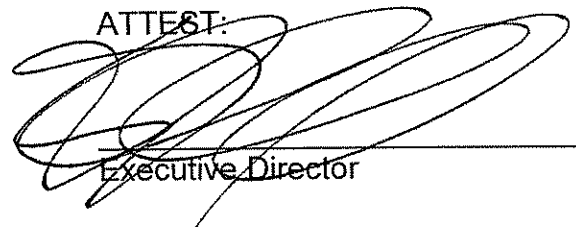
IT IS THEREFORE ORDERED that:

1. Kentucky Power's revised DSM Tariff and the revised DSM surcharge factors of \$.000472 per kWh for the residential class and \$.000055 per kWh for the commercial class are approved effective November 29, 2005.
2. Kentucky Power's proposal to extend its existing DSM programs is approved.
3. Within 10 days from the date of this Order, Kentucky Power shall file a revised DSM Tariff showing the date of issue and that it was issued by authority of this Order.

Done at Frankfort, Kentucky, this 21st day of November, 2005.

By the Commission

ATTEST:



Executive Director