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John W. Clay
Commissioner

November 25, 2008

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1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

CERTIFICATE OF SERVICE

RE: Case No. 2008-00350
American Electric Power

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on November 25, 2008.

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Executive Director

SS/tw
Enclosure



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P. O. Box 5190
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION PURSUANT TO 1994)
HOUSE BILL NO. 501 FOR APPROVAL)
OF KENTUCKY POWER COMPANY) CASE NO. 2008-00350
COLLABORATIVE DEMAND-SIDE)
MANAGEMENT PROGRAMS AND)
AUTHORITY TO IMPLEMENT A TARIFF)
TO RECOVER COSTS, NET LOST)
REVENUES AND RECEIVE INCENTIVES)
ASSOCIATED WITH THE IMPLEMENTATION)
OF THE KENTUCKY POWER COMPANY)
COLLABORATIVE DEMAND-SIDE)
MANAGEMENT PROGRAMS)

O R D E R

This matter comes before the Commission through the August 25, 2008 filing of American Electric Power d/b/a Kentucky Power Company ("Kentucky Power") on behalf of its Demand-Side Management ("DSM") Collaborative.¹ The filing includes a revised tariff proposing an increased DSM surcharge for Kentucky Power's residential customers, to become effective September 27, 2008, and summary status reports on each of Kentucky Power's DSM programs through June 30, 2008. Pursuant to KRS

¹ The DSM Collaborative includes Kentucky Power, the Attorney General's Office, Kentuckians for the Commonwealth, Big Sandy Area Development District, Northeast Kentucky Area Development Council, Kentucky Tech Northeast Region, Christian Appalachian Project, Kentucky Division of Energy (as a result of restructuring within Kentucky state government, the Kentucky Division of Energy is now the Governor's Office of Energy Policy), Coleman Oil, Cedar Knoll Galleria, Kentucky Industrial Utility Customers, Big Sandy Area Community Action Program, LKLP – Community Action Council, Middle Kentucky River Area Development Council, Appalachian Regional Defense Fund, and Appalachian Service Project.

278.190(2), the Commission suspended Kentucky Power's proposed rates for 5 months in order to properly investigate the reasonableness of Kentucky Power's application. A procedural schedule was then established providing for discovery and an opportunity to request a hearing. As no hearing has been requested, the matter stands submitted to the Commission for a decision.

FINDINGS

The DSM summary status report describes year-to-date and program-to-date costs, as well as demand and energy savings attributed to each DSM program through June 30, 2008. The filing also includes cost projections for the existing DSM programs agreed upon by the DSM Collaborative for the remainder of calendar year 2008.

The revised DSM tariff includes an increase in the DSM surcharge factor for residential customers from \$.000218 per kWh to \$.000644 per kWh.² The revised DSM surcharge factor was calculated using the methodology proposed by Kentucky Power and approved by the Commission in previous Kentucky Power DSM cases. The revised surcharge does not include cost recovery for the following three new programs: (1) the High Efficiency Heat Pump Program; (2) the Energy Education for Students Program;

² Kentucky Power's DSM surcharge for commercial customers was discontinued on November 21, 2005 as approved by the Commission in Case No. 2005-00333, Joint Application Pursuant to 1994 House Bill No. 501 for Approval of American Electric Power/Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Implement a Tariff to Recover Costs, Net Revenues and Receive Incentives Associated with the Implementation of the Kentucky Power Company Collaborative Demand-side Management Programs.

and (3) the Community Outreach Compact Fluorescent Lighting Program. Kentucky Power has sought approval for these three programs in a separate application.³

Kentucky Power also requests approval to a three-year extension of the following DSM programs: (1) Targeted Energy Efficiency Program; (2) High Efficiency Heat Pump – Mobile Home Program; (3) Mobile Home New Construction Program; and (4) Modified Energy Fitness Program. Kentucky Power filed evaluation reports to justify the continuation of the programs. For the Targeted Energy Efficiency Program, its evaluation report showed a savings in energy consumption for 2007 of 1,401,610 kWh. The program was also found to be cost effective based on the Total Resource Test and the Utility Cost Test. For the High Efficiency Heat Pump – Mobile Home Program, its evaluation report indicated a net total annual energy savings of 363 MWh. The program was also determined to be cost effective based on the traditional cost-effectiveness tests and expected energy and demand savings. Regarding the Mobile Home New Construction Program, its evaluation report showed total energy savings for the 2006-2007 evaluation period to be 822,981 kWh. The program was determined to be cost-effective based on all of the traditional cost-effectiveness tests. The evaluation report for the Modified Energy Fitness Program covering the period from January 2006-December 2007 showed continued cost effectiveness based on the standard tests; however, electricity savings per dollar-expenditure is declining. Electricity savings per participant dropped from 1,453 kWh, as reported in 2005, to 870 kWh for the 2006-2007

³ Case No. 2008-00349, In the Matter of the Joint Application Pursuant to 1994 House Bill No. 501 for the Approval of Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Recover Costs, Net Lost Revenues and Receive Incentives Associated with Implementation of Three Residential Demand-Side Management Programs Beginning January 1, 2009.

evaluation period. Despite the reduction of savings shown in the evaluation, the company asserts that the program still has merit. The company is committed to developing a marketing approach that will provide increased electricity savings.

The All-Electric segment of the Targeted Energy Efficiency Program has been deemed cost effective based upon the evaluation provided. The segment, therefore, qualifies for the Efficiency Incentive as described in Case No. 1995-00427 dated September 27, 1995.⁴ In the 2005 evaluation, the segment also qualified for the Efficiency Incentive; however, the company failed to ask for approval to use the Efficiency Incentive in lieu of the Maximizing Incentive. Beginning with this filing, the Efficiency Incentive is calculated.

SUMMARY

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

1. Kentucky Power has kept the Commission informed of the progress and status of its DSM programs by timely filing summary status reports on these programs.
2. Kentucky Power's revised residential DSM surcharge factor is reasonable, as it reflects the ongoing level of DSM program costs and the true-up of prior-period DSM costs and revenues.

⁴ Case No. 1995-00427, In the Matter of the Joint Application Pursuant to 1994 House Bill No. 501 for the Approval of the Kentucky Power Company ("KPCO") Collaborative Demand-Side Management Programs, and for Authority for KPCO to Implement a Tariff to Recover Costs, Net Lost Revenues, and Receive Incentives Associated with the Implementation of the KPCO Collaborative Demand-Side Management Programs.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's revised tariff containing a DSM surcharge factor of \$.000644 per kWh for residential customers is approved effective for service rendered on and after November 25, 2008.

2. Within 10 days from the date of this Order, Kentucky Power shall file a revised tariff showing the date of issue and that it was issued by authority of this Order.

3. Kentucky Power's request for a three-year extension of its Targeted Energy Efficiency Program, High Efficiency Heat Pump – Mobile Home Program, Mobile Home New Construction Program, and Modified Energy Fitness Program is approved.

4. Kentucky Power's request for approval to utilize the Efficiency Incentive, as described in Case No. 1995-00427,⁵ in lieu of the Maximizing Incentive for the All-Electric segment of the Targeted Energy Efficiency Program is approved.

Done at Frankfort, Kentucky, this 25th day of November 2008.

By the Commission

Vice Chairman Gardner Abstains.

ATTEST:


Executive Director

⁵ Id.