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December 12, 2011

Jeff R. Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602-0615

Mark R. Overstreet  
(502) 209-1219  
(502) 223-4387 FAX  
moverstreet@stites.com

RECEIVED  
DEC 12 2011  
PUBLIC SERVICE  
COMMISSION

RE: Case No. 2011-00300

Dear Mr. Derouen:

Enclosed please find the original and ten copies of Kentucky Power Company's Response to the November 21, 2011 informal conference data requests. By copy of this letter, the Responses also are being served on the Attorney General.

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

Very truly yours,

STITES & HARBISON, PLLC

  
Mark R. Overstreet

MRO

cc: Jennifer Black Hans

COMMONWEALTH OF KENTUCKY  
BEFORE THE  
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

APPLICATION OF KENTUCKY POWER COMPANY )  
FOR COLLABORATIVE DEMAND-SIDE MANAGEMENT )  
PROGRAMS AND FOR AUTHORITY TO IMPLEMENT )  
A TARIFF TO RECOVER COSTS AND NET LOST )  
REVENUES AND RECEIVE INCENTIVES ASSOCIATED )  
WITH THE IMPLEMENTATION OF THE KENTUCKY )  
POWER COMPANY COLLABORATIVE DEMAND-SIDE )  
MANAGEMENT PROGRAMS )

CASE NO.  
2011-00300

RECEIVED

DEC 12 2011

PUBLIC SERVICE  
COMMISSION

KENTUCKY POWER COMPANY RESPONSES TO  
COMMISSION STAFF'S NOVEMBER 21, 2011 INFORMAL CONFERENCE  
DATA REQUESTS

December 12, 2011







## Kentucky Power Company

### REQUEST

Refer to the Joint Application ("Application") cover letter ("Letter"), page 1 of 3.

- a. Explain why the Commercial High Efficiency Heat Pump/Air Conditioner Program is requesting a decrease from 120 to 65 participants.
- b. Explain what Kentucky Power is doing to encourage customer participation.

### RESPONSE

- a. The Commercial High Efficiency Heat Pump/Air Conditioner Program is a new program, and it may take a year for a new program to be recognized by possible participants. As of June 2011, Kentucky Power had one Air Conditioner and 15 Heat Pump participants. Since these numbers represented participant counts for the first half of the year, the numbers were adjusted to be in-line with a realistic projection of year-end participant numbers.
- b. Kentucky Power has provided four weeks of newspaper advertising beginning in July and another four weeks beginning in November for the HVAC programs. Bill inserts were issued July and November for commercial HVAC programs. Also, company employees have been actively meeting with HVAC dealers to promote the program and enlist their assistance in recruiting participants for the program. Finally, employee meetings have been held to explain all of the DSM programs to enlist employee help in promoting the programs.

WITNESS: E J Clayton



Kentucky Power Company

REQUEST

Refer to the Application Status Report on page 19, explain why the budget was revised for the Commercial High Efficiency Heat Pump/Air Conditioner Program was increased for evaluation expense from \$2,000 to \$5,350, when proposed annual participation is being decreased.

RESPONSE

Original program expenses were estimated based on expected costs. However, the 2011 program evaluation expense is based on the actual contract of our chosen EM&V contractor. It includes an estimate for transfer of billing and external data. The estimated evaluation total was \$5,305 as shown on page 19, not \$5,350 as noted in the question above.

WITNESS: E J Clayton





## Kentucky Power Company

### REQUEST

Refer to the Letter, page 1 of 3.

- a. Explain why the Residential and Small Commercial Load Management Program is requesting a decrease from 1,040 to 550 participants.
- b. Explain what is Kentucky Power doing to encourage customer participation?

### RESPONSE

- a. The numbers represented in the question are for switches, not participants as stated in the question. For example, one participant could have two heat pumps and one water heater which would require three switches for that household. The Residential and Small Commercial Load Management Program is a pilot program that has required a longer testing phase than originally expected. In June, Kentucky Power did not yet have any switches, and lowered the number of expected switches to be more in-line with the remaining six-month implementation period in 2011.
- b. Kentucky Power promoted the program through two emails to its employees. Kentucky Power is currently working with five employee installs to test the equipment, etc. in anticipation of a January 2012 deployment. The program will be deployed to the public when all issues have been addressed and rectified. External customer promotion may begin as early as January 2012. Planned external customer promotion is expected to include direct mailing, direct phone messaging, letters, email and postcards. Kentucky Power currently has five employees and ten switches in the pilot program.

WITNESS: E J Clayton



## Kentucky Power Company

### REQUEST

Explain why the vendor contract was signed June 1, 2011, when the program was approved in Case No. 2010-00198.<sup>1</sup>

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<sup>1</sup> Case No. 2010-00198, 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 the Implementation of One Combined Residential/Commercial and One Commercial Demand-Side Management Program Beginning August 2, 2010 (Ky. PSC Oct. 15, 2010).

### RESPONSE

The contract required extensive negotiation. In addition the agreement was not approved until the vendor gateway meter equipment was approved for purchase by the AEPSC metering group. The gateway meter equipment was required to pass specific ANSI testing. The testing was completed and the gateway meter approved July 19th. The vendor contract was signed the following day, July 20, 2011. The June 1, 2011, date mentioned in the question above referred to the effective date referenced in the contract.

WITNESS: E J Clayton



Kentucky Power Company

REQUEST

Refer to the initial information request Item No. 30.

- a. Explain why there are no actual participants in the Residential and Small Commercial Load Management Program as of September 14, 2011.
- b. Explain what Kentucky Power is doing to encourage customer participation.

RESPONSE

- a. This is a pilot program for which the meter testing was completed July 19, 2011. The contract was signed July 20, 2011. Testing and approval of the equipment was required prior to implementation. Currently there are five residential employees that have received full installation of the equipment.
- b. Since this is a pilot program, testing began with Kentucky Power employees. The program will not be deployed to the public until fully ready. Promotion is expected to begin to external customers as early as January 2012. Planned external customer promotion is expected to include direct mailing, direct phone messaging, letters, email, and postcards.

WITNESS: E J Clayton



Kentucky Power Company

REQUEST

Explain whether there will be enough participation and information in the Residential and Small Commercial Load Management Program to perform a thorough evaluation in 2012 as to this pilot program that was approved in Case No. 2010-00198.<sup>2</sup>

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<sup>2</sup> Id.

RESPONSE

Kentucky Power expects the evaluation of this pilot program will be more focused on program process than participant impact, due to the reduced number of participants for 2011. The evaluation should be beneficial in providing guidance on the implementation of the program.

WITNESS: E J Clayton





## Kentucky Power Company

### REQUEST

Refer to the initial information request Item No. 30.

- a. Explain whether there will be enough participation, since there are only 20 actual participants as of September 14, 2011, and information in the Commercial Incentives Program to perform a thorough evaluation in 2012 as to this pilot program that was approved in Case No. 2010-00198.<sup>3</sup>
- b. Explain what Kentucky Power is doing to encourage customer participation.

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<sup>3</sup> Id.

### RESPONSE

- a. The Commercial Incentives (CI) Program is not a pilot program. The 20 participants described in the request are for the Small Commercial AC/HP program. There were no participants for the CI program at the time of the response to Item No. 30. As of December 8, 2011, there are 62 pending applications for the CI program, including six applications pending final approval. There has been one application approved. The application receives final review and approval after a customer completes installation of equipment and a post installation inspection is completed by the implementation contractor. Kentucky Power expects the evaluation of this program will be more focused on program process than participant impact, due to the limited number of participants for 2011. The evaluation should be beneficial in providing guidance on the implementation of the program.
- b. The implementation contractor markets and ensures the customer participant numbers for the CI program. It promotes the program primarily through trade ally meetings (i.e. electrical contractors, architectural firms, engineering firms, etc). It also markets directly to commercial customers. The contractor has a full time local representative in the area developing the program participation. Kentucky Power has a 10% contract holdback to ensure the vendor meets program goals.

Kentucky Power completed a 4 week advertisement with 8 newspapers in its service area. Three different newspaper advertisements were developed for this purpose. Kentucky Power has encouraged company customer service personnel to utilize the CI program as a tool with the account management and to call upon the implementation contractor to facilitate customer meetings. A fact sheet has been created to promote the program at community events, and the information is included with other DSM program information on the company webpage. The implementation contractor has reported 62 customers whose applications are pending for this program.

WITNESS: E J Clayton



Kentucky Power Company

**REQUEST**

Explain whether the Attorney General ("AG") abstained in this application filing since the AG has filed information requests.

**RESPONSE**

Please see the attached email.

**WITNESS:** E J Clayton



"Overstreet, Mark R."  
<MOVERSTREET@stites.com>

12/09/2011 10:48 AM

To <lpmunsey@aep.com>, <srlistebarger@aep.com>

cc

bcc

Subject FW: dsm meeting

Mark R. Overstreet, *Member*  
Direct: (502) 209-1219  
Fax: (502) 223-4387, [moverstreet@stites.com](mailto:moverstreet@stites.com)

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**From:** Hans, Jennifer (KYOAG) [mailto:[jennifer.hans@ag.ky.gov](mailto:jennifer.hans@ag.ky.gov)]  
**Sent:** Tuesday, November 22, 2011 10:03 AM  
**To:** Overstreet, Mark R.  
**Cc:** Howard, Dennis (KYOAG); Kash, Heather (KYOAG)  
**Subject:** FW: dsm meeting

Dear Mark:

Regarding our conversation, yesterday, concerning whether the OAG voted on the application, please see below an email from Heather Kash to EJ Clayton dated August 4, 2011. We indicated no objections, but reserved the right to file comments. This followed Heather's abstention on the record at the DSM meetings. I believe that this is consistent with our prior practice. We abstained, reserving our right to ask additional questions and file comments, as necessary.

If you, EJ, Lila or Shannon have any additional questions, please do not hesitate to contact me.

*Jennifer Black Hans*

Executive Director  
Office of Rate Intervention

Office of the Attorney General  
1024 Capital Center Drive  
Frankfort, KY 40601  
(502) 696-5453 (Rate Intervention)  
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**From:** Kash, Heather (KYOAG)  
**Sent:** Thursday, August 04, 2011 2:38 PM  
**To:** 'ejclayton@aep.com'  
**Subject:** dsm meeting

After reviewing the summary of the latest DSM meeting, the attorneys are generally familiar with filing and have no objections. They do however reserve the right to file comments at some point in the future if necessary.

Thanks,

Heather

Heather Kash  
Office of the Attorney General  
Office of Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601  
502-696-5453  
[heather.kash@ag.ky.gov](mailto:heather.kash@ag.ky.gov)

The only obligation which I have a right to assume is to do at any time what I think right.

-- Henry David Thoreau





## Kentucky Power Company

### Request

Explain how the cost for evaluation from the external vendor for programs with very little or no participation was priced.

### Response

Pricing is based on fixed and variable costs including non-labor and labor costs of administration, surveying, reporting, modeling, and evaluation charges for each of the applicable programs for 2011 and 2012. It is expected that a reduced level of participation will result in a lower cost.

Witness: E. J. Clayton



## Kentucky Power Conference

### REQUEST

Provide the date of the first billing cycle for the revenue months of January 2012 and February 2012.

### RESPONSE

The dates for the first billing cycles for January 2012 and February 2012 are December 30, 2011, and January 31, 2012, respectively.

WITNESS: Lila P Munsey