

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)
THE KENTUCKY POWER COMPANY ("KPCO"))
COLLABORATIVE DEMAND-SIDE MANAGEMENT)
PROGRAMS, AND FOR AUTHORITY FOR KPCO) CASE NO. 95-427
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)

O R D E R

On August 14, 1998, Kentucky Power Company, d/b/a American Electric Power Company ("AEP"), filed on behalf of its Demand-Side Management ("DSM") Collaborative, a status report of its approved DSM Plan, individual evaluation reports for each DSM program, an Impact Evaluation Report of the Targeted Energy Efficiency ("TEE") Program, and a revised Experimental DSM Adjustment Tariff which increases the DSM adjustment clause factors for each of its major customer sectors. Specifically, AEP requests approval: 1) of the revised tariff, to become effective on September 29, 1998; (2) to discontinue the existing industrial section DSM programs at the end of the calendar year 1998; and (3) to continue the approved residential and commercial DSM programs for one additional year, through calendar year 1999.

The Commission has reviewed the record previously established in this case, which includes our approval of a three-year DSM pilot,¹ and finds that further

¹ Order dated December 4, 1995.

proceedings are necessary to determine the reasonableness of AEP's requests. The Commission specifically notes that AEP has provided no explanation or supporting documentation for its request to extend for one additional year the existing residential and commercial DSM programs.

IT IS THEREFORE ORDERED that:

1. AEP's proposed Experimental Demand-Side Management Adjustment Tariff is suspended for five months from the proposed effective date of September 29, 1998, up to and including February 28, 1999.
2. AEP shall file an original and eight copies of the information requested in the attached Appendix A within 14 days of the date of this Order.
3. Nothing contained herein shall preclude the Commission from entering further Orders in this matter prior to the end of the suspension period set forth above.

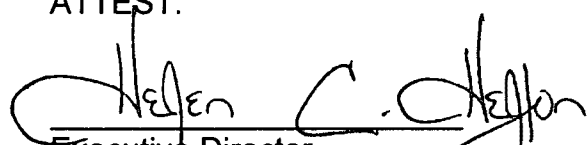
Done at Frankfort, Kentucky, this 11th day of September, 1998.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 95-427 DATED SEPTEMBER 11, 1998

1. Refer to the August 14, 1998 filing by Kentucky Power Company, d/b/a American Electric Power Company ("AEP"), specifically at page 2 of the cover letter.

a. The initial three-year pilot approved in 1995 for the AEP Collaborative's ("the Collaborative") Demand-Side Management ("DSM") Plan is scheduled to terminate at the end of 1998. Explain in detail why the Collaborative is requesting to extend the pilot for an additional year, through calendar year 1999.

b. A "Final Impact Evaluation Report" of the 1996 Targeted Energy Efficiency ("TEE") program has been submitted to the Collaborative by the Corporation for Ohio Appalachian Development ("COAD"). Explain in full how the findings and conclusions contained in that report have influenced the Collaborative to request that the pilot be extended for an additional year.

2. The Collaborative has requested to extend the pilot for one additional year but has not discussed when the review of the initial three-year pilot will occur. When does the Collaborative expect the initial three-year pilot to be reviewed by the Commission and why?

3. Does the Collaborative anticipate that a compilation, evaluation, and report on the three year pilot will be performed and submitted to the Commission as part of the three year review process? If yes, provide a projected timeline for the Collaborative to perform the compilation, evaluation, and report.

4. Refer to the revised AEP Residential DSM Program Cost/Benefit Analysis filed on August 31, 1998. Provide the Total Resource Cost ("TRC") results for the package of residential DSM programs, as shown on the table, exclusive of the impact of the TEE Program.

5. Refer to the "Final Impact Evaluation Report" of the 1996 TEE Program, prepared by COAD.

a. Describe the general nature of COAD's work and specifically what involvement it has had in the evaluation of DSM programs.

b. Is COAD affiliated in any way with AEP or any of its subsidiaries? If yes, indicate the relationship.

c. Explain why COAD used weather data from Lexington, Kentucky in its analysis, rather than data from a location more like AEP's service territory, such as Huntington, West Virginia.

d. Explain the impact that the weather data had on COAD's overall analysis of the TEE Program.

6. Refer to the August 14, 1998 filing, Status Report section, page 10.

a. Prior to July 1, 1998, how many DSM crews were assigned to work on the TEE Program?

b. Provide the average monthly or annual direct and indirect labor costs for the DSM crews working on the TEE Program, before and after the crew assignment changes on July 1, 1998.

c. Provide the approximate amount of the cuts made to the funding of the Weatherization Assistance Program for each year the TEE Program has been in place.

7. In light of the TRC results for the TEE Program, what consideration has the Collaborative or the Collaborative's Residential Subgroup given to terminating this program?