

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)	
IMPLEMENTATION OF KPCO COLLABORATIVE)	
DEMAND-SIDE MANAGEMENT PROGRAMS)	

O R D E R

Kentucky Power Company, d/b/a American Electric Power Company ("AEP"), on behalf on its Demand-Side Management ("DSM") Collaborative, filed on August 14, 1998, its request for approval: (1) of revisions to its Experimental DSM Adjustment Tariff; (2) to discontinue its industrial sector DSM programs at the end of calendar year 1998 due to lack of participation; and (3) to continue the approved residential and commercial programs for one additional year, through calendar year 1999. By Order dated September 11, 1998, the Commission suspended the proposed tariff and requested further information from AEP regarding: (1) the request to continue the residential and commercial programs; (2) the expected timetable for review and evaluation of the three-year pilot; and (3) the evaluation report on the 1996 Targeted Energy Efficiency ("TEE") program which was included as part of AEP's filing. AEP's response was filed September 25, 1998.

AEP indicated that the DSM adjustment clause factors for each customer sector were being increased as agreed upon by its DSM Collaborative. The factors for the residential and commercial sectors were being set at the midpoint between the floor and ceiling calculations consistent with previous tariff filings. The factor for the industrial sector was being set at the ceiling rate so that AEP might have the opportunity to recover the proposed cost by the end of calendar year 1998.

AEP stated that the request to continue the residential and commercial programs for an additional year, through calendar year 1999, was based on the projected timetable for review and evaluation of the initial three-year pilot. AEP expects to submit evaluation reports on each program included in the three-year pilot for the Commission's review by August 15, 1999, which is consistent with the reporting schedule currently in place. The requested extension of the programs would allow for the review of the three-year pilot without jeopardizing the continuity of the programs, program contractors and vendors, or the membership of the Collaborative. Stopping the programs at the end of 1998 and possibly starting again in late 1999 would result in duplication of start-up activities with additional program start-up costs also being incurred.

AEP indicated that the Collaborative was focusing on improving the effectiveness of the TEE program by targeting high usage customers for weatherization measures. AEP has recommended reducing indirect labor costs, which are not associated with the installation of program measures, as a means of improving the benefit/cost ratio for the program.

Having considered the application and the supplemental information and being otherwise sufficiently advised, the Commission finds that AEP's requests are reasonable and should be approved.

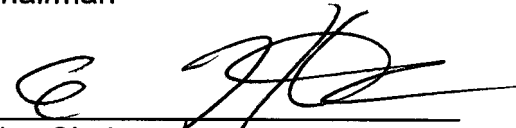
IT IS THEREFORE ORDERED that:

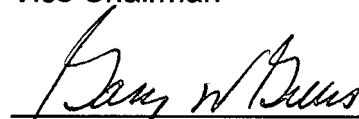
1. AEP's revised Experimental Demand-Side Management Tariff is approved effective on and after October 28, 1998.
2. AEP's industrial sector DSM programs shall be discontinued at the end of calendar year 1998.
3. AEP's residential and commercial DSM programs shall be continued for an additional year, through calendar year 1999.
4. AEP shall file evaluation reports on each program included in the three-year pilot for the Commission's review by no later than August 15, 1999.
5. Within 10 days of the date of this Order, AEP shall file a revised Experimental Demand-Side Management Adjustment Tariff which shows the effective date as specified herein.

Done at Frankfort, Kentucky, this 27th day of October, 1998.

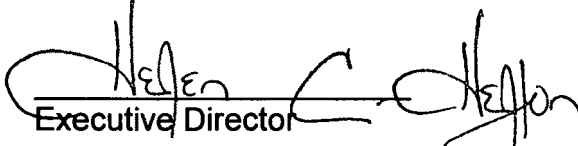
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director