

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

CASE NO. 95-427

O R D E R

On August 16, 1999, American Electric Power/Kentucky Power Company (AEP/Kentucky) filed, on behalf of its Demand-Side Management Collaborative (Collaborative), an application that includes a status report of its approved Demand-Side Management (DSM) plan, individual evaluation reports of each approved DSM program, and revised DSM tariffs which adjust the DSM adjustment clause factors for each customer class. The application also includes a request for approval of a three-year extension of the existing DSM plan, through the year 2002, continuation of four residential DSM programs and two commercial DSM programs for that three-year period, and authority to cease applying the proposed industrial DSM factor to customer bills with the last billing cycle in December 1999.

The status and evaluation reports describe, among other things, the progress of individual DSM programs, year-to-date and program-to-date costs of each program through June 1999, AEP/Kentucky's comments on the activity levels, number of participants, and budget projections for calendar year 2000 for the programs that it proposed to continue. The filing does not include proposals for any new programs but does reflect the Collaborative's decision to discontinue the Energy Fitness residential DSM program in May 1999 due to declining consumer response despite continued efforts to promote the program.

With the termination of the Energy Fitness program, AEP/Kentucky's DSM plan consists of four residential programs: (1) Targeted Energy Efficiency; (2) High Efficiency Heat Pumps-Retrofit; (3) Mobile Home High Efficiency Heat Pumps; and (4) Mobile Home New Construction; and two commercial programs; (1) Smart Incentive and (2) Smart Audit. For calendar year 2000 the projected budget for the six programs is approximately \$1,030,000.

Tariff Proposals

AEP/Kentucky proposes changes to the existing DSM adjustment clause factors for each customer class, effective September 28, 1999. The methodology for calculating the factors is the same as was used in the original AEP/Kentucky DSM application and in each of the semi-annual filings that have been made since the Commission's approval of the original application. In this filing, however, AEP/Kentucky is requesting that the new factor for the industrial class remain in effect for only the last three months of 1999. When the original industrial programs were discontinued at the end of calendar year 1998, an over-recovery existed. AEP/Kentucky intends to refund

the over-recovery through the end of calendar year 1999; however, the level of industrial sales has not matched the projections made in early 1999. Hence, AEP/Kentucky proposes to change the industrial factor but continue it for only the last three months of 1999 in order to complete the refund by the end of the year.

The Commission has previously approved the discontinuance of the industrial programs and is aware of AEP/Kentucky's intent to complete the refund of the existing over-recovery by the end of calendar year 1999. Therefore, the proposed change in the industrial factor is reasonable and should be in effect for only the last three months of 1999. However, the Commission finds that the proposed changes to the residential and commercial surcharge factors and the accompanying residential and commercial DSM programs will require further investigation and that such investigation cannot be completed prior to the September 28, 1999 proposed effective date. Therefore, the proposed DSM surcharge factors for the residential and commercial customer classes will be suspended for a period of 5 months from the proposed effective date.

IT IS THEREFORE ORDERED that:

1. AEP/Kentucky's proposed revision to the industrial class surcharge factor in its Experimental Demand-Side Management Adjustment Tariff is approved to become effective September 28, 1999.
2. The revised surcharge factor for the industrial customer class shall be discontinued with the last billing cycle in December 1999.
3. The revised surcharge factors for the residential and commercial customer classes shall be suspended for 5 months from September 28, 1999 up to and including February 28, 2000.

4. Within 10 days from the date of this Order, AEP/Kentucky shall file a revised Experimental Demand-Side Management Adjustment Tariff reflecting the industrial class surcharge factor contained in its August 16, 1999 application and approved herein which shows the date of issue and that it was issued by authority of this Order.

5. Within 10 days from the date of the last billing cycle in December 1999, AEP/Kentucky shall file a revised Experimental Demand-Side Management Adjustment Tariff reflecting the discontinuance of the industrial class surcharge factor which shows the date of issue and that it was issued by authority of this Order.

6. Nothing contained herein shall prevent the Commission from entering a final decision in this case prior to the termination of the suspension period.

Done at Frankfort, Kentucky, this 28th day of September, 1999.

By the Commission

ATTEST:

Executive Director