COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR (1) APPROVAL OF CONTINUATION OF ITS DEMAND-SIDE MANAGEMENT PROGRAMS; (2) AUTHORITY TO RECOVER COSTS AND NET LOST REVENUES, AND TO RECEIVE INCENTIVES ASSOCIATED WITH THE IMPLEMENTATION OF ITS DEMAND-SIDE MANAGEMENT PROGRAMS; (3) ACCEPTANCE OF ITS ANNUAL DSM STATUS REPORT; AND (4) ALL OTHER REQUIRED APPROVAL AND RELIEF	)	CASE NO. 2025-00365

O R D E R

On November 17, 2025, Kentucky Power Company (Kentucky Power) filed an application requesting an Order (1) approving the continuation of Kentucky Power's Demand-Side Management Programs through December 31, 2026; (2) approving Kentucky Power's recovery of its full costs through its Demand-Side Management Adjustment Clause (Tariff D.S.M.C.), including lost revenues and incentives, associated with its demand-side management (DSM) programs, including approving the proposed tariff changes; (3) approving the modification of Kentucky Power's residential DSM factor to $0.000663 per kWh and the commercial DSM factor to $0.000809 per kWh to permit the recovery through the Tariff D.S.M.C. of Kentucky Power's full costs, including lost revenues, associated with Kentucky Power's DSM/energy efficiency (EE) programs; (4) accepting Kentucky Power's annual DSM status reports; and (5) granting all other required approvals and relief.[1] By Order dated December 8, 2025, the Commission suspended Kentucky Power's revised tariffs up to and including June 1, 2026.[2] By Order dated January 20, 2026, Appalachian Citizens' Law Center and Mountain Association (collectively, Joint Intervenors) were granted intervention.[3] Kentucky Power responded to three requests for information from Commission Staff[4] and two from the Joint Intervenors.[5] Joint Intervenors responded to one request for information from Commission Staff[6] and one from Kentucky Power.[7] On May 11, 2026, Joint Intervenors requested a hearing in this matter, which was granted by Order issued May 28, 2026.[8] A hearing was held on July 6, 2026. Kentucky Power responded to one post-hearing request for information from Commission Staff[9] and one from Joint Intervenors.[10] On

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[1] Application (filed Nov. 17, 2025) at 1.

[2] Order (Ky. PSC Dec. 8, 2025) at 3.

[3] Order (Ky. PSC Jan. 20, 2026) at 3.

[4] Kentucky Power's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Feb. 4, 2026); Kentucky Power's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Mar. 4, 2026); Kentucky Power's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Apr. 15, 2026).

[5] Kentucky Power's Response to Joint Intervenors' First Request for Information (filed Feb. 4, 2026); Kentucky Power's Response to Joint Intervenors' Second Request for Information (filed Mar. 4, 2026).

[6] Joint Intervenors' Response to Commission Staff's First Request for Information (Staff's First Request) (filed Apr. 15, 2026).

[7] Joint Intervenors' Response to Kentucky Power's First Request for Information (filed Apr. 15, 2026).

[8] Order (Ky. PSC May 28, 2026).

[9] Kentucky Power's Response to Commission Staff's Post-Hearing Request for Information (Staff's Post-Hearing Request) (filed July 15, 2026).

[10] Kentucky Power's Response to Joint Intervenors Post-Hearing Request for Information (filed July 15, 2026).

July 27, 2026, both parties submitted initial briefs[11] and submitted response briefs on August 5, 2026.[12] This case is now submitted for decision.

LEGAL STANDARD

KRS 278.285(1) authorizes the Commission to review and approve the reasonableness of DSM programs proposed by any utility under its jurisdiction. The statute lists multiple factors the Commission can consider when determining the reasonableness of the DSM programs. The listed factors in KRS 278.285(1) are:

> (a) The specific changes in customers' consumption patterns which a utility is attempting to influence;
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> (b) The cost and benefit analysis and other justification for specific demand-side management programs and measures included in a utility's proposed plan;
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> (c) A utility's proposal to recover in rates the full costs of demand-side management programs, any net revenues lost due to reduced sales resulting from demand-side management programs, and incentives designed to provide positive financial rewards to a utility to encourage implementation of cost-effective demand-side management programs;
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> (d) Whether a utility's proposed demand-side management programs are consistent with its most recent long-range integrated resource plan;
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> (e) Whether the plan results in any unreasonable prejudice or disadvantage to any class of customers;
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> (f) The extent to which customer representatives and the Office of the Attorney General have been involved in developing the plan, including program design, cost recovery mechanisms, and financial incentives, and if involved, the amount of support for the plan by each participant, provided however, that

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[11] Kentucky Power's Initial Brief (filed July 27, 2026); Joint Intervenors' Initial Brief (filed July 27, 2026).

[12] Kentucky Power's Response Brief (filed Aug. 5, 2026); Joint Intervenors' Response Brief (filed Aug. 5, 2026).

unanimity among the participants developing the plan shall not be required for the commission to approve the plan;

(g) The extent to which the plan provides programs which are available, affordable, and useful to all customers; and

(h) Next-generation residential utility meters that can provide residents with amount of current utility usage, its cost, and can be capable of being read by the utility either remotely or from the exterior of the home.

KRS 278.285(1) also states the factors listed are not exhaustive, the Commission can consider anything that will help determine if the programs are reasonable.

DSM PROGRAM PORTFOLIO

Kentucky Power has offered DSM programs since 1994.[13] On January 18, 2018, the Commission directed Kentucky Power to eliminate all DSM programs, other than the income-eligible residential Targeted Energy Efficiency (TEE) program.[14] By Order dated February 28, 2025, the Commission approved the continuation of the TEE program and the instatement of two new DSM programs, the Home Energy Improvement Program (HEIP) and Commercial Energy Solutions Program (CESP).[15]

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[13] Application at 2.

[14] Application at 2–3, citing Case No. 2017-00097, *Electronic Investigation of the Reasonableness of the Demand Side Management Programs and Rates of Kentucky Power Company,* (Ky. PSC Jan. 18, 2018), Order at 13.

[15] Application at 3, citing Case No. 2024-00115, *Electronic Application of Kentucky Power Company for: (1) Approval to Expand Its Targeted Energy Efficiency Program; (2) Approval of a Home Energy Improvement Program and a Commercial Energy Solutions Program; (3) Authority to Recover Costs and Net Lost Revenues, and to Receive Incentives Associated with the Implementation of Its Demand-Side Management/Energy Efficiency Programs; (4) Approval of Revised Tariff D.S.M.C.; (5) Acceptance of Its Annual DSM Status Report; and (6) all other Required Approvals and Relief* (Ky. PSC Feb. 28, 2025), Order at 15.

The TEE program provides weatherization and energy efficiency services to qualifying low-income residential customers with the goal to help reduce energy bills.[16] Kentucky Power's TEE program is a voluntary, income-qualified, program for residential customers who have primary electric heating and use at least an average of 700 kWh per month.[17] Customers without primary electric heating may also be eligible for limited efficiency measures if they have electric water heating and use at least an average of 700 kWh per month from November through March.[18]

Program	2025 Participation Goal[19]	Actual 2025 Participation[20]
TEE	90	69 fulfilled requests

The HEIP program is a voluntary residential program, available to customers living in single family, multi-family, or mobile homes, who have an electric heating, ventilation, and air conditioning (HVAC) system.[21] Under the program, Kentucky Power provides an in-home energy audit at no additional cost to the participant.[22] After the in-home energy audit is complete, participants are eligible to receive, at no cost to the participant, installation of select energy conservation measures recommended by the energy auditor.[23] Examples of these energy conservation measures include low flow

[16] The Direct Testimony of Stevi N. Cobern (Cobern Direct Testimony) (filed Nov. 17, 2025) at 3.

[17] Cobern Direct Testimony at 4.

[18] Cobern Direct Testimony at 4.

[19] Application at 4.

[20] Kentucky Power's Response to Staff's Third Request, Item 7a.

[21] Cobern Direct Testimony at 5–6.

[22] Cobern Direct Testimony at 6.

[23] Cobern Direct Testimony at 6.

showerheads and faucet aerators, hot water heater wraps and pipe insulation, weatherstripping and caulking around windows and doors, door sweeps, and advanced power strips.[24] Participants are also eligible to receive incentives, or rebates, for qualifying HVAC equipment installed at the customer's own cost by a participating dealer as well as additional weatherization measures.[25]

The HEIP program became available to Kentucky Power's customers in July 2025.[26] As shown in the table below, the original participation target was 661 customers; however, only 104 Kentucky Power customers took advantage of the program.[27] In order to increase customer awareness and improve participation in the program, Kentucky Power increased the general marketing by issuing news releases, updated website content, social media posts, bill inserts, customer emails, and account specific portal messaging for customers with high bill alerts.[28] Kentucky Power also provided a list of high-usage customers for targeted marketing to its DSM program administrator, and it also plans to conduct a direct mail campaign to previous Low-Income Home Energy Assistance Program (LIHEAP) participants.[29]

Program	2025 Participation Goal	Actual 2025 Participation
HEIP	661	104

[24] Cobern Direct Testimony at 6.

[25] Cobern Direct Testimony at 6.

[26] Kentucky Power's Initial Brief at 7.

[27] Cobern Direct Testimony at 7.

[28] Cobern Direct Testimony at 7.

[29] Cobern Direct Testimony at 7.

The CESP became available to customers in July of 2025.[30] The CESP program is a voluntary program that provides commercial customers with an energy audit at no additional cost to the participant.[31] After the completion of the energy audit, participants are eligible to receive financial incentives, or rebates, for qualifying energy-efficient improvements installed at the customer's own cost by a participating contractor.[32] In year one of the program, Kentucky Power offered lighting incentives, such as LED lighting, network lighting controls, occupancy sensors and daylighting controls.[33] In year two, HVAC related incentives are to be implemented, and year three will include food service equipment incentives.[34] Kentucky Power also provides a post-audit inspection.[35] The current maximum rebate amount per qualifying commercial customer is $25,000 annually.[36]

Kentucky Power's original participation goal for the CESP program in 2025 was 130 customers. Kentucky Power stated that, at the conclusion of the 2025 program year, CESP had six participants.[37]

Program	2025 Participation Goal	Actual 2025 Participation
CESP	130	6 fulfilled requests

[30] Cobern Direct Testimony at 9.

[31] Cobern Direct Testimony at 8.

[32] Cobern Direct Testimony at 8.

[33] Cobern Direct Testimony at 8.

[34] Cobern Direct Testimony at 8–9.

[35] Cobern Direct Testimony at 9.

[36] Cobern Direct Testimony at 9.

[37] Kentucky Power's Initial Brief at 7.

In its application, Kentucky Power requested approval for continuance of the TEE program, the HEIP program, and the CESP program, through December 31, 2026.[38]

TARIFF D.S.M.C. COST RECOVERY

Kentucky Power proposed budget modifications to its DSM programs.[39] For the TEE Program, Kentucky Power proposed to increase the budget from $358,185, serving 90 participants, to $370,060, to serve 95 participants.[40] At the conclusion of the 2025 program year, $280,123 of the program budget was spent, serving 69 participants.[41] As for the 2026 program year, approximately $78,600 of the budget has been spent, serving 16 participants, as of March 2026.[42]

For the HEIP program, Kentucky Power originally proposed to increase the budget from $664,681 to $955,113.[43] The proposed budget increase was attributable to shifting funds from the 2025 budget to the 2026 budget given the timing of the program roll-out.[44] However, during the hearing, Kentucky Power withdrew its proposal to roll-over the unspent 2025 funds into the 2026 program year, returning to the budget amounts

[38] Application at 4.

[39] Application at 4–5.

[40] Application at 4.

[41] Kentucky Power's Initial Brief at 6.

[42] Kentucky Power's Response to Staff's Third Request, Item 5.

[43] The Rebuttal Testimony of Stevi N. Cobern (Cobern Rebuttal Testimony) at 5, correcting Application at 5.

[44] Cobern Direct Testimony at 8.

authorized in Case No. 2024-00115.[45] As of June 2026, $169,079 of the 2026 program year budget has been spent.[46]

Kentucky Power also originally proposed to increase the CESP program budget from $710,011 to $1,267,246.[47] Kentucky Power stated that the increase to the CESP budget was attributable to shifting remaining funds from 2025 to 2026 additional incentives that will be available for HVAC measures.[48] Kentucky Power also rescinded the proposal to roll-over the unspent 2025 funds to the 2026 program year for the CESP program, which returned the 2026 budget back to the previously approved amounts authorized in Case No. 2024-00115.[49] As of June 2026, approximately $217,274 of the 2026 program year budget has been spent.[50]

To recover the original proposed DSM budget request, Kentucky Power proposed to increase the residential DSM surcharge factor from $0.000587 per kWh to $0.000663 per kWh.[51] The new proposed residential DSM surcharge factor, after the exclusion of the originally proposed rolled-over 2025 budget funds, reduces to $0.000437 per kWh.[52] Under the new proposed surcharge, an average residential customer using 1,300 kWh per month would receive a monthly DSM charge of $0.57, a decrease of $0.19 per kWh

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[45] Case No. 2024-00115, Feb. 28, 2025 Order at 6 and 13.

[46] Kentucky Power's Initial Brief at 7.

[47] Application at 5.

[48] Cobern Direct Testimony at 10.

[49] Case No. 2024-00115, Feb. 28, 2025 Order at 6 and 13.

[50] Kentucky Power's Initial Brief at 7.

[51] Application at 6.

[52] Kentucky Power's Initial Brief at 10.

from the previously approved surcharge factor. Additionally, Kentucky Power originally proposed to increase the commercial surcharge factor from \$0.000573 per kWh to \$0.000809 per kWh.[53] The new proposed commercial surcharge factor exclusive of the 2025 roll-over is \$0.00453 per kWh.[54]

<u>JOINT INTERVENORS' POSITION</u>

Joint Intervenors stated that it encourages and supports Kentucky Power's implementation of its DSM programs.[55] Additionally, Joint Intervenors agree with Kentucky Power in the continuance of its current DSM portfolio.[56] However, Joint Intervenors offered several recommendations for consideration as it pertains to the Tariff D.S.M.C. cost recovery mechanism and collection of DSM-related revenues.[57]

Joint Intervenors recommended that the Commission not allow the unspent 2025 program budgets for HEIP and CESP to roll over into the 2026 budget.[58] Joint Intervenors stated that the 2025 spending for HEIP and CESP reflected the cost to ramp up the programs.[59] Additionally, due to the low participation levels of 2025, Joint Intervenors were concerned that the programs would be able to receive the appropriate amount of participation to reflect the need for the higher budgets.[60] Additionally, Joint Intervenors

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[53] Application at 6.

[54] Kentucky Power's Initial Brief at 10.

[55] The Direct Testimony of Stacy L. Sherwood (Sherwood Direct Testimony) (filed Mar. 18, 2026) at 5.

[56] Sherwood Direct Testimony at 5.

[57] Sherwood Direct Testimony at 5.

[58] Sherwood Direct Testimony at 5.

[59] Sherwood Direct Testimony at 6.

[60] Sherwood Direct Testimony at 14.

do not believe that the current staffing levels of Kentucky Power's vendors would be able to support the work required with the 2026 budget and participation levels.[61] Joint Intervenors stated that, given that the HEIP and CESP programs are still in the ramp-up stage, the budgets should not be increased to allow the programs to establish a workforce that can sustainably support the programs beyond 2026.[62] However, as it pertains to the proposed TEE program budget, Joint Intervenors agreed with Kentucky Power that the budget should increase as approved in Case No. 2024-00115.[63]

Based on the recommendations in regard to the HEIP and CESP program budgets, Joint Intervenors recommended that the Tariff D.S.M.C. surcharge should decrease from \$0.000587 per kWh to \$0.000425 per kWh for residential customers.[64] Under the proposed surcharge, an average residential customer using 1,300 kWh per month would receive a monthly DSM charge of \$0.55, a decrease of \$0.21.[65] Additionally, Joint Intervenors recommended that the commercial surcharge decrease from \$0.000573 per kWh to \$0.000464 per kWh.[66] The decrease in the surcharges is the result of the unspent 2025 program budget offsetting the amount needed in 2026 for collection.[67]

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[61] Sherwood Direct Testimony at 15 and 18–19.

[62] Sherwood Direct Testimony at 17 and 19.

[63] Sherwood Direct Testimony at 20. *See also* Case No. 2024-00115, Order at 16.

[64] Sherwood Direct Testimony at 22.

[65] Sherwood Direct Testimony at 22.

[66] Sherwood Direct Testimony at 22.

[67] Sherwood Direct Testimony at 22.

Joint Intervenors recommended that Kentucky Power hold funds collected by the DSM surcharge in an interest-bearing account.[68] Joint Intervenors argued that if the funds were held in an interest-bearing account, then accrued interest could be used to offset future DSM costs, which would reduce the surcharge collection necessary in future years.[69] Joint Intervenors acknowledged that they are unaware of examples where the Commission has allowed DSM funds to be held in interest-bearing accounts;[70] however, they noted that the Commission has allowed other types of surcharge revenues to be held in interest bearing accounts in the past.[71]

Joint Intervenors argued that lost revenues needed to be calculated based on the contribution of the DSM surcharge,[72] and argued that Kentucky Power currently is assuming that lost revenues are based on "an average forecast measure mix savings on a per participant basis" rather than the industry-standard approach of assumed savings for the measures installed.[73] Joint Intervenors also argued that Kentucky Power should only be able to claim lost revenues for the measures it installs and actual savings

[68] Sherwood Direct Testimony at 23.

[69] Sherwood Direct Testimony at 23.

[70] Joint Intervenors' Response to Staff's First Request, Item 4.

[71] Sherwood Direct Testimony at 23, citing Case No. 2020-00121, *Electronic Southern Water & Sewer District's Meter Replacement Surcharge Monitoring* (Ky. PSC Apr. 8, 2020), Order at 2–3, in which the Commission required the deposit of meter replacement surcharge proceeds to be deposited in a separate interest-bearing account; Case No. 2012-00119, *Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness* (Ky. PSC May 25, 2012), Order at 4–5.

[72] Sherwood Direct Testimony at 23.

[73] Sherwood Direct Testimony at 23-24.

generated.[74] Joint Intervenors recommended that Kentucky Power recalculate its 2025 lost revenues using the industry-standard methodology.[75]

Finally, Joint Intervenors provided commentary of the Annual DSM Status Report that Kentucky Power filed.[76] Joint Intervenors argued that the information provided in Exhibit SNC-1 was not sufficient.[77] Joint Intervenors also argued that the number of information requests issued to Kentucky Power in order to gather more information indicated that the status report was lacking.[78] Joint Intervenors suggested that Kentucky Power provide more detailed narrative on the performance of the portfolio in its status report to bring more insight to the public and the Commission.[79] Joint Intervenors recommended that Kentucky Power form a DSM workgroup to develop a more informative annual status report.[80]

KENTUCKY POWER'S RESPONSE

Kentucky Power argued in its rebuttal testimony that the proposal to carry over unused 2025 HEIP and CESP funding into the 2026 program year would allow Kentucky Power to ensure that more homes and businesses have the opportunity to undergo energy efficiency audits and improvements.[81] Additionally, Kentucky Power argued that

[74] Sherwood Direct Testimony at 24.

[75] Sherwood Direct Testimony at 24–25.

[76] Sherwood Direct Testimony at 25.

[77] Sherwood Direct Testimony at 25.

[78] Sherwood Direct Testimony at 25.

[79] Sherwood Direct Testimony at 25.

[80] Sherwood Direct Testimony at 26.

[81] Rebuttal Testimony of Stevi Cobern (Cobern Rebuttal Testimony) (filed Apr. 2026) at 2.

the program administrator for HEIP and CESP raised no concerns about rolling over the funds to increase the 2026 budget.[82] Kentucky Power stated that, since Tariff D.S.M.C. includes a true-up mechanism, ultimately, any unspent funds for the programs would be credited back to customers after the 2026 program year.[83] Kentucky Power considered the rate impacts when proposing to roll over the unspent 2025 funds, and argued that there would be no “rate shock” under its proposal.[84]

Regarding the interest-bearing account for DSM surcharge collections, Kentucky Power argued that the Joint Intervenors did not assess any additional administrative costs that would be associated with the creation and handling of such account.[85] Kentucky Power argued that invoices and incentive payments for its DSM programs are sporadic throughout the month, which would require frequent adjustments to be made to the available funds.[86]

Kentucky Power also took issue with Joint Intervenors’ arguments on the calculation of lost revenues.[87] Kentucky Power stated that the Commission has reviewed and approved its DSM mechanism, which is inclusive of the calculation of lost revenues, since at least 2018.[88]

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[82] Cobern Rebuttal Testimony at 2.

[83] Cobern Rebuttal Testimony at 2.

[84] Cobern Rebuttal Testimony at 3.

[85] Cobern Rebuttal Testimony at 5.

[86] Cobern Rebuttal Testimony at 5.

[87] Cobern Rebuttal Testimony at 4.

[88] Cobern Rebuttal Testimony at 4.

Kentucky Power agreed with Joint Intervenors that it should update the format of the annual DSM filing to include any information the Commission finds necessary in review.[89] However, Kentucky Power did not find it to be necessary to form a work group in order to achieve that.[90]

DISCUSSION AND FINDINGS

TEE Program Participation Expansion: Kentucky Power proposed to increase the 2026 participation goal of the TEE program from 90 participants to 95 participants.[91] Due to the increase in the participation goal, the budget would increase to $370,060.[92]

Having considered the record and being otherwise sufficiently advised, the Commission finds Kentucky Power's proposal to increase the TEE budget and participant goal for the 2026 program year to be reasonable and that it should be approved. The Commission notes the success of the TEE program over the last five program years. As shown in the table below, the TEE program has consistently remained close to the target for its participation goals. A program that assists low-income customers in weatherizing their homes with the goal of lowering the customers' bill, especially in an economically challenging service territory such as Kentucky Power's, is of great importance to maintain and expand access to.

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[89] Cobern Rebuttal Testimony at 4.

[90] Cobern Rebuttal Testimony at 4.

[91] Application at 4.

[92] Application at 4.

Program Year	2025[93]	2024[94]	2023[95]	2022[96]	2021[97]
Participation Goal	90	94	98	98	104
Actual Participation	69	82	80	78	70

<u>Roll-Over of Unspent Budget:</u> In Case No. 2024-00115, the Commission approved the HEIP and CESP programs as three-year pilot programs.[98] Additionally, the Commission approved the proposed budgets for calendar years 2025–2027 to account for the participation and measure expansions Kentucky Power had proposed to implement.[99]

As provided by Kentucky Power, the table below illustrates the bill impacts of the present and Tariff D.S.M.C. rates inclusive of unspent 2025 budgets to Kentucky Power's rate classes:[100]

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[93] Kentucky Power's Response to Staff's Third Request, Item 7a.

[94] Case No. 2023-00362, *Electronic Application of Kentucky Power Company for: (1) Approval of Continuation of its Targeted Energy Efficiency Program; (2) Authority to Recover Costs and Net Lost Revenues, and to Receive Incentives Associated with the Implementation of its Demand-Side Management Programs; (3) Acceptance of Its Annual DSM Status Report; and (4) all other Required Approvals and Relief* (filed Nov. 15, 2023), Application at 4. *See also*, Case No. 2025-00365, Application, Exhibit_SNC-1, "Participation and Impacts" tab, cell F58.

[95] Case No. 2023-00362 (filed Nov. 15, 2023), Application at 4. *See also*, Case No. 2025-00365, Application, Exhibit_SNC-1, "Participation and Impacts" tab, cell F45.

[96] Case No. 2021-00420, *Electronic Application of Kentucky Power Company for: (1) Approval of Continuation of Its Targeted Energy Efficiency Program; (2) Authority to Recover Costs and Net Lost Revenues, and to Receive Incentives Associated with the Implementation of its Demand-Side Management Programs; (3) Acceptance of its Annual DSM Status Report; (4) Authorization to Conduct a Market Potential Study; and (5) all other Required Approvals and Relief* (filed Nov. 15, 2021), Application at 4. *See also*, Case No. 2025-00365, Application, Exhibit_SNC-1, "Participation and Impacts" tab, cell F32.

[97] Case No. 2021-00420 (filed Nov. 15, 2021), Application at 4. See also, Case No. 2025-00365, Application, Exhibit_SNC-1, "Participation and Impacts" tab, cell F29.

[98] Case No. 2024-00115, Feb. 28, 2025 Order at 13.

[99] Case No. 2024-00115, Feb. 28, 2025 Order at 6 and 13.

[100] Kentucky Power's Response to Staff's Second Request, Item 3.

Customer Classification	Current charge per kWh	Proposed charge per kWh	Difference	Average Monthly Usage* (kWh)	Average Monthly $ Increase	Average Monthly Bill*	Average Monthly % Increase
(1)	(2)	(3)	(4) = (3) - (2)	(5)	(6) = (4) * (5)	(7)	(8) = (6) / (7)
R.S.	$0.000587	$0.000663	0.000076	1,206	$ 0.09	$ 198.80	0.05%
G.S. - Secondary	$0.000573	$0.000809	0.000236	1,621	$ 0.38	$ 297.34	0.13%
G.S. - Primary	$0.000573	$0.000809	0.000236	8,445	$ 1.99	$ 1,398.66	0.14%
G.S. - Subtransmission	$0.000573	$0.000809	0.000236	2,808	$ 0.66	$ 858.14	0.08%
G.S. - TOD	$0.000573	$0.000809	0.000236	1,947	$ 0.46	$ 337.14	0.14%
L.G.S. - Secondary	$0.000573	$0.000809	0.000236	63,479	$ 14.98	$ 9,875.95	0.15%
L.G.S. - Primary	$0.000573	$0.000809	0.000236	112,507	$ 26.55	$ 16,612.33	0.16%
L.G.S. - Subtransmission	$0.000573	$0.000809	0.000236	79,962	$ 18.87	$ 8,938.43	0.21%
L.G.S. - Transmission	$0.000573	$0.000809	0.000236	94,166	$ 22.22	$ 8,452.80	0.26%
L.G.S. - TOD	$0.000573	$0.000809	0.000236	65,124	$ 15.37	$ 8,910.19	0.17%

Kentucky Power stated at the formal hearing that the contractor of the HEIP and CESP programs, TRC Companies, Inc. (TRC), did not believe it would be able to meet the participation count required to exceed the already approved 2026 budget of $548,607 and $779,409, respectively, for the HEIP and CESP programs.[101] Having acknowledged that, Kentucky Power then proposed Tariff D.S.M.C. rates exclusive of the roll-over.

The rates provided in Exhibit SNC-R1 reflect the recovery of the full costs of the DSM programs, including net revenues lost due to reduced sales resulting from DSM programs. Having reviewed the record and being otherwise sufficiently advised, the Commission finds the Tariff D.S.M.C. rates as calculated in Exhibit SNC-R1, which do not include a roll-over of unspent funds, to be reasonable and are reflected in the Appendix to this Order. The average residential customer using 1,300 kWh per month would receive a monthly DSM charge of $0.57, a decrease of $0.19.

[101] Hearing Video Transcript (HVT) of the June 30, 2026 Hearing, Testimony of Lerah M. Kahn at 09:06:55–09:09:28.

Interest-Bearing Account for DSM Surcharge Revenue: Joint Intervenors recommended that, beginning in 2026, the surcharge collections should be held in an interest-bearing account, with the interest offsetting program collections for the 2027 surcharge.[102]

In its rebuttal testimony, Kentucky Power argued that it does not have any other riders or surcharge mechanisms that require funds to be held in an interest-bearing account.[103] Kentucky Power stated, given that this is not a standard requirement, there is additional administrative cost and additionally, invoices and incentive payments for DSM programs are sporadic throughout the month, which would require frequent adjustments to available funds.[104]

In its initial brief, Joint Intervenors argued that Kentucky Power offered no persuasive reason not to hold DSM surcharge collections in an interest-bearing account,[105] and that it is not a novel or unprecedented request.[106] Further, Joint Intervenors asserted that the Commission has required other regulated Kentucky utilities to hold surcharge proceeds in interest-bearing accounts in other contexts, and there is no constitutional, statutory, or regulatory barrier to doing so here.[107] Joint Intervenors argued that the Commission should order Kentucky Power to establish an interest-bearing account for Tariff D.S.M.C. collections and to report on its implementation in its next annual DSM filing or in the alternative, and that the Commission should require Kentucky

[102] Sherwood Direct Testimony at 26.

[103] Cobern Rebuttal Testimony at 5.

[104] Cobern Rebuttal Testimony at 5.

[105] Joint Intervenors' Initial Brief at unnumbered page 1.

[106] Joint Intervenors' Initial Brief at unnumbered page 6.

[107] Joint Intervenors' Initial Brief at unnumbered page 6.

Power to more seriously evaluate the administrative costs and customer benefits of utilizing interest-bearing accounts and report such details to the Commission.[108] In its initial brief, Kentucky Power argued that ordering the utility to set up an interest-bearing account before was related to recovering a finite amount of money over a finite period of time or for entirely different funds with entirely different sources.[109] However, Kentucky Power argued that DSM programs are intended to establish resources for customers that are not only available for a finite period of time, and the DSM surcharge is not a means to collect a set amount of money.[110] Kentucky Power stated that these funds can continuously be used to offer resources to its customers and, accordingly, require more movement and transfer.[111] Kentucky Power argued that it does not have any other riders or surcharge mechanisms that require funds to be held in an interest-bearing account, and that this is not a standard practice.[112] Additionally, Kentucky Power argued that it creates greater administrative hurdles than any benefit, particularly where there is already an over-under recovery mechanism in place.[113]

In its response brief, Joint Intervenors stated that there are no legal barriers to hold surcharge overcollections in an interest-bearing account if supported by the facts of a case and the Commission has authority and discretion to require use of interest-bearing

[108] Joint Intervenors' Initial Brief at 7.

[109] Kentucky Power's Initial Brief at 14–15

[110] Kentucky Power's Initial Brief at 14–15.

[111] Kentucky Power's Initial Brief at 15.

[112] Kentucky Power's Initial Brief at 15.

[113] Kentucky Power's Initial Brief at 16.

accounts where it deems them appropriate.[114] Joint Intervenors argued that it is unclear that there would be any ongoing incremental administrative costs once use of an interest-bearing account is established.[115]

Kentucky Power argued, in its response brief, that maintaining an interest-bearing account does not align with the true-up mechanism.[116] Kentucky Power stated that it does not seek to collect interest on any under-recovered amounts, and requiring interest to be applied to over-recovered amounts creates an imbalance that undermines the surcharge mechanism.[117] Kentucky Power also argued that placing DSM funds in a separate account is not supported by precedent and creates greater administrative hurdles than any benefit.[118]

Having considered the record and being otherwise sufficiently advised, the Commission finds that establishing an interest-bearing account would not provide any clear significant benefits at this time because Kentucky Power updated its proposal to exclude the unspent 2025 funds from the 2026 budget. The Commission notes that Kentucky Power did not provide a quantitative analysis to support its assertions regarding the administrative costs or the adequacy of the evidence demonstrating the disadvantages of maintaining an interest-bearing account. Accordingly, the Commission directs Kentucky Power to conduct a formal cost-benefit analysis of the impacts of establishing and maintaining an interest bearing account for the collected funds, and

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[114] Joint Intervenors' Response Brief at 6–7.

[115] Joint Intervenors Response Brief at 9.

[116] Kentucky Power's Initial Brief at 6.

[117] Kentucky Power's Initial Brief at 6.

[118] Kentucky Power's Initial Brief at 6.

include the results in its next annual DSM filing, which will coincide with the final year of the pilot period for the HEIP and CESP programs.[119] The analysis shall provide detailed information on the administrative costs associated with maintaining an interest-bearing account, as well as the resulting benefits to all customers.

Lost Revenues Calculation: Kentucky Power's calculation of lost revenues varies from the calculations of Duke Energy Kentucky, Inc. (Duke Kentucky), Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU).[120] As explained in Exhibit SNC-1, Kentucky Power's calculation of lost revenues is the product of the number of participating customers, the average net energy savings (kWh) per customer, and the net lost revenue ($/kWh).[121] Duke Kentucky calculates lost revenues by multiplying the amount of kilowatt-hour sales and kilowatt-months of billing demand with the applicable energy or demand charge minus variable costs, and then divides that by expected sales.[122] LG&E/KU calculates its lost revenues by multiplying the estimated energy savings by the non-variable revenue requirement per kWh.[123] The non-variable revenue requirement is defined as average weighted price per kWh minus variable costs.[124]

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[119] Case No. 2024-00115, (Ky PSC Feb. 28, 2025) Order at 13.

[120] The Commission notes that East Kentucky Power Cooperative and Big Rivers Electric Corporation do not have DSM cost recovery mechanisms.

[121] Exhibit SNC-1.xlsx, "P1-Definitions and Comments" tab, cell B-J20.

[122] Duke Energy Kentucky, Inc., P.S.C. Ky. Electronic No. 2, Sheet No. 75, page 2 of 4 (issued May 1, 2020), effective May 1, 2020.

[123] Louisville Gas and Electric Company, P.S.C. Ky. Electronic No. 12, Sheet No. 86.1 (issued July 20, 2021), effective July 1, 2021. Kentucky Utilities Company, P.S.C. Ky. No. 13, Sheet No. 86.1 (issued July 20, 2021), effective July 1, 2021.

[124] Louisville Gas and Electric Company, P.S.C. Ky. Electronic No. 12, Sheet No. 86.1 (issued July 20, 2021), effective July 1, 2021. Kentucky Utilities Company, P.S.C. Ky. No. 13, Sheet No. 86.1 (issued July 20, 2021), effective July 1, 2021.

Although Joint Intervenors provided comment on Kentucky Power's calculation of lost revenues, stating it is based on an average forecast measure mix savings on a per participant basis rather than the industry-standard approach of assumed savings for the measures installed,[125] Joint Intervenors did not specify an actual "industry standard" calculation of lost revenues. Kentucky Power's calculation may differ from that of Duke Kentucky and LG&E/KU; however, the Commission has found Kentucky Power's calculation to be reasonable since at least 2018.[126] In an effort to standardize the calculation, the Commission finds that Kentucky Power should provide, in its next DSM case, three calculations of lost revenues utilizing its approved method and the two other methods described herein as well as the DSM cost recovery rates that result from those calculations. Kentucky Power should provide supportive analysis on each methodology.

Annual DSM Status Report: The Commission acknowledges the suggestions for improvement made by the Joint Intervenors regarding the content of Kentucky Power's annual DSM status report. The Commission agrees with Joint Intervenors that a more detailed narrative report would be beneficial. The Commission finds Kentucky Power's annual status report to be reasonable as to the contents already included. The Commission further finds that, in future annual DSM status reports, Kentucky Power should provide in written testimony a more detailed narrative on the performance of the portfolio. This narrative should include updates on the administrative performance of the Community Action Agencies, details on amount of budget spent and participation totals for the prior program year, any changes in advertisement of the programs, and

[125] Sherwood Direct Testimony at 23-24.

[126] Cobern Rebuttal Testimony at 4.

explanation of the inclusion of the bill impact analyses[127] requested in the record of this proceeding. To aid in this, the Commission encourages Kentucky Power to restart its DSM workgroups.

Timing of Future DSM Filings: Kentucky Power stated that its ability to roll out new programs in 2025 was hindered by the final Order in Case No. 2024-00115 being issued in February of 2025.[128] Further, Kentucky Power asserted that, due to timing constraints in this case, it did not believe it could use unused 2025 funds in 2026.[129] In its Initial Brief, Joint Intervenors asserted that the timing of Kentucky Power's DSM filings continues to be an issue.[130] Joint Intervenors made multiple suggestions for future filings, including: (1) reminding Kentucky Power that surcharge increase proposals will be considering in due course; (2) setting a schedule for periodic updates; (3) requiring Kentucky Power to file any proposed modifications to program budgets or design no later than a date certain each year; (4) directing Kentucky Power to provide advance written notice to Joint Intervenors of any anticipated changes to DSM program administration, contracts, or measure at least one full quarter before implantation; (5) establishing interim reporting checkpoints for the remainder of the pilot; and (6) making clear that any future request for budget rollover, reallocation, or similar mid-pilot relief must be filed with sufficient lead time to allow for discovery, testimony, and hearing before the requested effective date.[131]

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[127] *See* Kentucky Power's Response to Staff's Second Request, Items 2 and 3; and Kentucky Power's Response to Staff's Third Request, Items 3 and 4.

[128] Cobern Direct Testimony at 11; Kentucky Power's Initial Brief at 6.

[129] Kentucky Power's Initial Brief at 7.

[130] Joint Intervenors' Initial Brief at 17.

[131] Joint Intervenors' Initial Brief at 18–19.

Having considered the record and being otherwise sufficiently advised, the Commission finds that Kentucky Power shall file its next DSM filing no later than the 30th of October of 2026 for the 2027 program year. The Commission further finds that starting in 2027, Kentucky Power shall file its annual DSM filings by or on August 1 of every year. The Commission believes that the other suggestions that Joint Intervenors raised can be addressed throughout the discovery process in those subsequent proceedings, with Kentucky Power providing actual data as it becomes available throughout the pendency of each case.

<u>TRC Oversight and Outreach:</u> Kentucky Power explained at the hearing that TRC is the contractor for the HEIP and CESP programs.[132] TRC has one subcontractor for HEIP and 15 trade allies for both the HEIP and CESP programs.[133] Kentucky Power stated that it and TRC market the HEIP and CESP programs through social media posts, press releases, and in-person conversations.[134] However, Kentucky Power noted that TRC carries the responsibility for managing marketing strategies.[135]

Kentucky Power stated that, although outreach efforts are not specifically directed towards LIHEAP participants, the HEIP program has an email list that includes past LIHEAP participants.[136] This email list serves approximately 52,000 residential customers and 5,200 commercial customers.[137] These emails are sent by Kentucky

[132] HVT of the June 30, 2026 Hearing, Testimony of Stevi N. Cobern at 09:29:26–09:29:30.

[133] Kentucky Power's Response to Staff's Post-Hearing Request, Item 8.

[134] Kentucky Power's Response to Staff's Post-Hearing Request, Item 7.

[135] Kentucky Power's Response to Staff's Post-Hearing Request, Item 7.

[136] Kentucky Power's Response to Staff's Post-Hearing Request, Item 11.

[137] Kentucky Power's Response to Staff's Post-Hearing Request, Item 11.

Power at least once a month and include contact information for the TRC program managers.[138]

TRC has contacted 1,388 customers in regard to the HEIP program.[139] Kentucky Power explained that TRC will send a follow-up email to customers, if an email address has been provided, to further advertise the program regardless of the outcome of the outbound calls.[140] The table below summarizes the results of TRC's outbound calls:[141]

Result of Outbound Call	Quantity	Percentage
Completed HEA Request	16	1.15%
Left Voice Mail with Program/Call Back Information	342	24.64%
Customer Hung Up or Stated Not Interested	234	16.86%
No Answer/Not Able to Leave a Voice Mail	522	37.61%
Wrong Number/Disconnected	181	13.04%
No Contact Info Provided – Phone or Email	70	5.04%
Business Account/Ineligible	23	1.66%
	1388	

The Commission finds that Kentucky Power should require quarterly updates from TRC in a format that may be utilized in each future DSM filing.[142] The updates should

[138] Kentucky Power's Response to Staff's Post-Hearing Request, Item 11.

[139] Kentucky Power's Response to Staff's Post-Hearing Request, Item 12.

[140] Kentucky Power's Response to Staff's Post-Hearing Request, Item 12.

[141] Kentucky Power's Response to Staff's Post-Hearing Request, Item 12.

[142] At the hearing, Kentucky Power indicated it received email updates from TRC but no official reporting was required. HVT of the June 30, 2026 Hearing, Testimony of Stevi N. Cobern at 10:21:33 – 10:22:32.

include items such as customer outreach data, subcontractor updates, and completed and ongoing program requests. The quarterly updates should be filed during Kentucky Power's next DSM case.

Community Action Agencies: The Community Action Agencies aid in the administration of the TEE program.[143] Kentucky Power was asked to file information pertaining to the Community Action Agency waitlist for the TEE program. The table below summarizes the total number of individuals on the waitlist, whether they are Kentucky Power customers, and whether the customer qualifies:[144]

Total No. on Waitlist	Total No. Kentucky Power	Total No. Does Not Qualify
152	127	39

Of the customers currently on the TEE waitlist, 39 do not qualify and 25 are not serviced by Kentucky Power.

Kentucky Power was questioned about the contract between Community Action Agencies and Kentucky Power.[145] Kentucky Power stated that it was unable to locate the contract with each agency.[146] The Community Action Agencies also were unable to locate the contracts.[147] The Commission is concerned with the inability of Kentucky Power and the Community Action Agencies to locate the contracts and urges Kentucky Power to document the Community Action Agencies' role in the DSM programs, if practicable, prior to its next DSM case. The Commission also encourages Kentucky

[143] Kentucky Power's Initial Brief at 12.

[144] Kentucky Power's Response to Staff's Post-Hearing Request, Item 13.

[145] Kentucky Power's Response to Staff's Post-Hearing Request, Item 16.

[146] Kentucky Power's Response to Staff's Post-Hearing Request, Item 16.

[147] Kentucky Power's Response to Staff's Post-Hearing Request, Item 16.

Power to address the issue regarding unqualified customers remaining on the waitlist as part of the remedy for the missing contracts.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's request for the continuance of its DSM programs through December 31, 2026, is approved.

2. Kentucky Power's request to expand the participation goal for the TEE program is approved.

3. Kentucky Power's proposed DSM surcharge rates are denied.

4. The DSM surcharge rates set forth in the Appendix to this Order are approved as fair, just and reasonable rates for Kentucky Power.

5. Kentucky Power's request to modify Tariff D.S.M.C. is approved, with modifications expressed herein this Order.

6. Kentucky Power's annual DSM Status Report is approved, with modifications as expressed herein this Order.

7. Kentucky Power shall file its next DSM case on or by October 30, 2026, for the 2027 program year, followed by August 1st every year afterwards.

8. In its next DSM annual filing, Kentucky Power shall calculate its lost revenues using the three separate methods as discussed herein this Order.

9. Kentucky Power shall conduct a formal cost-benefit analysis of the impacts of establishing and maintaining an interest-bearing account for the collected funds and report its findings in its next annual DSM filing, providing details regarding the administrative costs and customer benefits of utilizing an interest-bearing account.

10. Kentucky Power shall locate and file with the Commission the contracts and roles performed by the Community Action Agencies regarding administering the TEE program.

11. Kentucky Power shall file quarterly updates from TRC in a format that may be utilized in each future DSM filing.

12. This case is closed and removed from the Commission’s docket.

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Entered on this 17th day of September, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:

Justin McNeil RP

Justin McNeil
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00365 DATED SEP 17 2026

The following rates and charges are prescribed for the customers in the area served by Kentucky Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

	Customer Sector		
	Residential	Commercial	Industrial*
DSM(c)	$815,447	$641,286	$0
S(c)	$1,867,312,391	$1,414,836,448	$0
Adjustment Factor per kWh	$0.000437	$0.000453	$0

Service List for Case 2025-00365

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* Harlee P. Havens
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* Kentucky Power Company
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* Kenneth J Gish, Jr.
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* Denotes served by Email