

EXHIBIT E

KENTUCKY POWER COMPANY  
 DERIVATION FOR THREE-YEAR DSM EXPERIMENT  
 COLLABORATIVE AGREED UPON INITIAL VALUES

<u>PROGRAM DESCRIPTIONS</u>	<u>EFFICIENCY INCENTIVE \$/PARTICIPANT *</u>	<u>MAXIMIZING INCENTIVE ##</u>	<u>NET LOST REVENUE/YEAR KWH/PARTICIPANT **</u>	<u>NET LOST REVENUES \$/KWH #</u>
<u>RESIDENTIAL</u>				
Energy Fitness	78.22	N/A	2,690	0.03114
Targeted Energy Efficiency				
- All Electric	0.00	SEE ##	5,570	0.03113
- Non All Electric	9.71	N/A	680	0.03124
Compact Fluorescent Bulb	1.58	N/A	62	0.03097
High-Efficiency Heat Pump				
- Resistance Heat	19.73	N/A	2,275	0.03112
- Non Resistance Heat	16.69	N/A	813	0.03114
High-Efficiency Heat Pump - Mobile Home	38.86	N/A	2,160	0.03111
Mobile Home New Construction	N/A	SEE ##	N/A	N/A
<u>Commercial</u>				
SMART Audit -- Class 1	N/A	SEE ##	N/A	N/A
SMART Audit -- Class 2	N/A	SEE ##	N/A	N/A
SMART Financing -- Existing Building	506.34	N/A	22,000	0.04267
SMART Financing -- New Building	50.33	N/A	30,600	0.04267
<u>Industrial</u>				
SMART Audit -- Class 1	N/A	SEE ##	N/A	N/A
SMART Audit -- Class 2	N/A	SEE ##	N/A	N/A
SMART Financing -- General	178.65	N/A	28,200	0.04108
SMART Financing -- Compressed Air System	4,850.21	N/A	164,800	0.03271

\* Efficiency incentive defined as 15% of estimated net savings based on the TRC test.

\*\* These annual kWh per participant values reflect (exclude) the estimated effects of freeriders in each program.

# Net lost revenues per kWh where net revenues are defined as gross revenues minus variable costs based on the company's current rates in effect.

## The maximizing incentive is defined as 5% of actual program costs.