

KPSC Case No. 2016-00281
Commission Staff's Initial Set of Data Requests
Dated September 12, 2016
Item No. 5
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Kentucky Power Company

REQUEST

Refer to Exhibit 4.

- a. Refer to the Summary Tab. Explain why Kentucky Power is not proposing a higher rate so as to reduce the projected under-collection of \$18,989,666 for Residential DSM Programs and \$6,234,087 for Commercial DSM Programs.
- b. Refer to the Year 2016- 1st Half and Year 2016- 2nd Half tabs.
 - (1) Explain why Exhibit 3, page 45 of 72, does not list Air Purifiers in its 2016 forecast at the bottom of the page, but the Year 2016- 1st Half tab has 20 listed, and the Year 2016- 2nd Half tab has 26 listed.
 - (2) Exhibit 3, page 45 of 72, has 1,667 Specialty Energy STAR CFLs forecasted at the bottom of the page, but the sum for the Year 2016- 1st Half and Year 2016 - 2nd Half tabs is zero. Confirm that zero is shown in Exhibit 4 due to the discontinuation of CFL blubs as referenced on page 4 of the Direct Testimony of John A. Rogness III ("Rogness Testimony").
 - (3) Explain why the sum of the total program costs for the Residential Efficient Products Program on the Year 2016 - 1st Half tab and the total estimated program costs for the Residential Efficient Products Program on the Year 2016 - 2nd Half tab does not equal the expense forecast for 2016 of \$1,149,206 at the bottom of page 45 of 72 of Exhibit 3.
 - (4) Explain why the sum of the Whole House Efficiency participants in the Year 2016- 1st Half and Year 2016- 2nd Half tabs does not equal the 2016 forecasted Whole House Efficiency participants as listed in Exhibit 3, page 48 of 72.

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c. Refer to tab Year 2017- 1st Half.

(1) Explain why the cumulative participants of 3,504 for the Modified Energy Fitness Program are less than the estimated Cumulative Participants at the end of year 2016 of 4,094 as listed in the Year 2016- 2nd Half tab.

(2) Explain why the \$295,573 sum of the Total Estimated

Program Costs for the Residential Efficient Products Program does not match the DSM

Budget for the First Half Year for the same program in Exhibit 6, page 1 of 1, of \$490,489.

RESPONSE

a. The Company's proposed rates are based upon an established methodology for cost recovery that has been used by Kentucky Power and approved by the Commission since the first DSM program was implemented in 1996. The Company is open to considering a different methodology. The proposed methodology is anticipated to reduce the under collection for residential customers from \$6,134,092 at June 30, 2016 to \$1,507,615 by June 30, 2017 and the under collection for commercial customers from \$1,462,153 at June 30, 2016 to \$1,031,701 at June 30, 2017.

b. 1. In Exhibit 3, page 45 of 72, Kentucky Power reported the actual number of air purifiers for the first half of 2016 (20) in the New Participants section. The Company omitted the participant forecast for 2016 for the air purifiers in the Comments Section. The total forecast for 2016 is 46 participants.

2. Confirmed.

3. The estimated program cost for the 2nd half of 2016 in Exhibit 4 was reported in error. Please see KPCO_R_1_5_Attachment1 for the revised Exhibit 4.

4. Exhibit 3 should state a total participant forecast for 2016 of 3,206. Please see KPCO_R_1_4_Attachment4 for the revised Exhibit 3.

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- c. 1. There are two reasons for the difference in the values. First, the reported "cumulative participants" does not represent the number of participants since the implementation of the program. The cumulative participants value is used to calculate the Company's net revenue loss. Consistent with the sunset provision introduced with the inception of the Company's DSM Program in Case No. 95-427, the cumulative participants, and hence net revenue loss, are calculated on a rolling three-year basis. Thus, Year 1's net lost revenue (and participants) is not recovered in Year 4, and so forth. The applicable period for calculating cumulative participants is July 2014 to June 2017.

Second, certain "accounting conventions" govern the manner in which cumulative participants are calculated. Cumulative participants is not a running tally of the total number of new customers in a given year. Rather, it is the calculation of the equivalent number of customers participating for a full year. For example, two customer joining effective July 1st of any year, have the same effect as a single customer joining January 1st of the same year. Under this example, the two new customers are equivalent of one cumulative participant. Similarly, four new customers joining effective October 1st of a given year (that is participating for one-fourth of the year) are the equivalent of one cumulative customer (that is one customer joining effective January 1st). Unless all new customers join effective January 1st of a year, the number of cumulative participants will always be less than the total of new customers.

In addition, because participants join at different times throughout the year, the Company employs a half month convention in calculating the number of cumulative participants. Under the convention, participants joining in a particular month are treated as having joined on the 15th day of that month without regard to the actual day of the month their participation began. The convention simplifies calculations without prejudicing ratepayers or the Company, and has been used by Kentucky Power since 1996 when the first DSM Program was implemented.

2. The estimated program cost for the 1st half of 2017 in Exhibit 4 was reported in error. Please see KPCO_R_1_5_Attachment1 for the revised Exhibit 4.

WITNESS: John A Rogness