

Kentucky Power Company
KPSC Case No. 2020-00362
Commission Staff's First Set of Data Requests
Dated December 9, 2020

DATA REQUEST

- 1-1** Explain whether Kentucky Power has evaluated additional low-income Demand-Side Management (DSM) programs, and if so, provide a list of programs evaluated and reasons why Kentucky Power has not submitted the programs for approval.

RESPONSE

The Company has not evaluated any additional low-income Demand-Side Management programs. The Commission's January 18, 2018 Order in Case No. 2017-00097 ("Order") expressed significant concerns regarding the desirability of DSM programs in light of the Company's substantial excess capacity until the expiration of the Company's Rockport UPA on December 7, 2022. Since that Order, Kentucky Power's load has continued to decline, and its excess capacity has increased, as a result of the decline of the coal and steel industries in the Company's service territory, the delay of economic development projects, and the concomitant decline in residential customers as residents move to seek employment. Most recently, this trend has been exacerbated by the curtailment of many activities as a result of the COVID-19 pandemic and resulting governmental restrictions. In addition, the pandemic has made the implementation of the Company's Targeted Energy Efficiency ("TEE") program more difficult as many homeowners are reluctant to allow non-family members to enter their homes as is required for the TEE program because of concerns about contagion.

Although the Order did not prohibit Kentucky Power from introducing new DSM programs so long as it maintained substantial excess capacity, the continuing issue of excess capacity led the Company to look to other means to assist low-income customers. One such avenue has been Kentucky Power's efforts to improve the operation of its two home energy assistance programs that were approved by the Commission on the same day as the Order was entered.

Witness: Scott E. Bishop

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- 1-2** In Case No. 2019-00193,2 Big Rivers Electric Cooperation (BREC) received approval to create a pilot DSM program to provide weatherization assistance to low-income residents for weatherization related measures that otherwise would not be completed due to limitations on other funding to correct residential health and safety issues. BREC's program provides \$1,500 to local Community Action Agencies that provide weatherization assistance to low-income residential customers of BREC's member distribution cooperatives pursuant to the Federal Department of Energy's Weatherization Assistance Program. Explain whether Kentucky Power has evaluated such a program.

RESPONSE

Kentucky Power has not fully evaluated such a program. The Company followed the progress of efforts by its affiliate, Indiana Michigan Power Company, to obtain approval of an "Income Qualified Safety & Health Pilot Program." Although ultimately not approved by the Indiana Utility Regulatory Commission in IURC Cause No. 45235, the program would have provided eligible customers with up to \$4,000 per home for remediation activities to fix issues that would normally prevent the installation of weatherization measures, up to an annual funding cap of \$100,000.

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- 1-3** Provide all steps Kentucky Power has taken towards reintroducing DSM programs in anticipation of the termination of the Rockport UPA.

RESPONSE

The Commission's January 18, 2018 Order in Case No. 2017-00097 made clear that reintroducing Demand-Side Management programs prior to a substantial reduction or elimination of the Company's excess capacity position changing would be premature. As part of its application in Case No. 2020-00174, Kentucky Power sought authority to install Advanced Metering Infrastructure meters (AMI). AMI meters provide the basis for many time-based rates and incentive programs to encourage customers to reduce electricity during peak demand hours. As such, they constitute demand-side management activities, although they fall outside of traditional demand-side management programs. *See* KRS 278.010(17). Some time-based programs include:

- Critical Peak Pricing
- Variable Peak Pricing
- Time-of-Use Pricing

The Commission currently is considering time-based rates in the Demand Response Service (DRS) tariff and electric vehicle charging provision.

After the Commission's January 18, 2018 Order in Case No. 2017-00097, the Company formally eliminated its DSM department and reassigned employees previously dedicated to DSM to other roles. Because of the internal and third-party costs required to identify, develop, review, and justify DSM programs, the Company also has elected to delay consideration of new DSM programs until a time closer to the expiration of the Rockport UPA.

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- 1-4** Provide the avoided capacity costs Kentucky Power uses in determining the cost-effectiveness of DSM programs as well as the source and supporting documentation of this cost.

RESPONSE

The Company has not proposed a new DSM program since 2016 and has not recently performed any analysis to estimate avoided capacity costs associated with DSM. To the extent the Company analyzes this issue in connection with future DSM program proposals, the Company intends to utilize avoided capacity costs that reflect the term of the product being analyzed. Analysis of shorter term programs/commitments could be based on PJM's short-term market construct for capacity known as the "RPM" market. Analysis of longer term programs/commitments could be based on the fixed cost of a hypothetical combustion turbine unit such as the pricing included in the Company's Cogen/SPP tariff, or PJM's net CONE (cost of new entry). All of these figures are publicly available on the Company's website in its Commission-approved tariff book and on PJM's website at www.pjm.com.

Witness: Alex E. Vaughan



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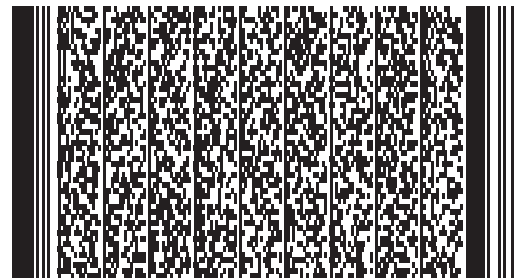
Signer 1: Scott E. Bishop (SEB)

December 14, 2020 11:36:37 -8:00 [CAE7F4469705] [167.239.221.83]
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December 14, 2020 11:36:37 -8:00 [6132A75F31EA] [167.239.221.85]
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I, Sarah Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Scott E. Bishop, being duly sworn, deposes and says he is a Regulatory Consultant Senior for Kentucky Power Company, that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.

Scott E. Bishop
Signed on 2020/12/14 11:36:37 -8:00

Scott E. Bishop

State of Ohio)

Case No. 2020-00362

County of Franklin)

Subscribed and sworn before me, a Notary Public, by Scott E. Bishop this
14th day of December, 2020.

S. Smithisler
Signed on 2020/12/14 11:36:37 -8:00
Notary Public

My Commission Expires April 29, 2024



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December 14, 2020 10:55:50 -8:00 [046112D178D5] [167.239.221.85]
 srsmithhisler@aep.com

I, Sarah Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is a Regulatory Pricing & Analysis Manager for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.

Alex E Vaughan

Signed on 2020/12/14 10:55:50 -8:00

Alex E. Vaughan

State of Ohio)

County of Franklin)

Case No. 2020-00362

Subscribed and sworn before me, a Notary Public, by Alex E. Vaughan this
14th day of December, 2020.

S Smithhisler

Notary Public

My Commission Expires: April 29, 2024



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