

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter Of:

The 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)	Case No. 2021-00420
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)	

DIRECT TESTIMONY OF

SCOTT E. BISHOP

ON BEHALF OF KENTUCKY POWER COMPANY

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I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, POSITION WITH KENTUCKY POWER**
2 **COMPANY, AND BUSINESS ADDRESS.**

3 A. My name is Scott E. Bishop. My position is Regulatory Consultant Senior for Kentucky
4 Power Company (“Kentucky Power” or the “Company”). My business address is 1645
5 Winchester Avenue, Ashland, Kentucky 41101.

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
7 **BUSINESS EXPERIENCE.**

8 A. I received a Bachelor of Arts degree in Economics from The Ohio State University in
9 Columbus, Ohio in 1992 and a Master of Business Administration degree from Ohio
10 Dominican University in Columbus, Ohio in 2004.

11 I began my utility industry career with American Electric Power Service Corporation
12 (“AEPSC”) in October 1998 as a Cash Management Analyst with responsibility for
13 determining the corporation’s daily cash position. In 2000, I transferred to the Trusts and
14 Investments Department as an Investment Analyst. My duties included staying abreast of
15 pending legislation and litigation that could affect AEP benefits and performing analysis
16 and reporting for the corporate investment committee. I also worked as an Analyst in
17 other departments where some of my work included the analysis of spending trends, and
18 creation of complex financial models. In January 2010, I accepted a position of Demand-
19 Side Management (“DSM”) / Energy Efficiency Coordinator for AEPSC. In October

1 2010, I transferred to Kentucky Power Company. My duties included developing,
2 issuing, and evaluating requests for proposals for potential DSM programs and third-
3 party managers. I also implemented and managed new DSM programs, managed
4 program budgets, assisted with Kentucky Public Service Commission (“Commission”)
5 filings and status reports, drafted and responded to Commission data requests and
6 inquiries, and assisted with testimony development. In April 2018, I assumed my current
7 position as Regulatory Consultant Senior for Kentucky Power.

8 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH**
9 **KENTUCKY POWER?**

10 A. My primary responsibility is to support the Company’s regulatory activities. As part of
11 this responsibility, I prepare the Company’s monthly Fuel Adjustment Clause filing with
12 the Commission. Additionally, I assist with the Company’s other periodic regulatory
13 filings with the Public Service Commission.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY**
15 **PROCEEDINGS?**

16 A. Yes. I have submitted testimony before this Commission for the last two Annual
17 Demand Side Management filings in Case Numbers 2019-00410 and 2020-00362. I
18 submitted testimony in Case No. 2020-00174 for the Company’s base rate case. Most
19 recently, I filed testimony in Case No. 2021-00292 for the Company’s 6-month Fuel
20 Adjustment Clause review.

II. PURPOSE OF TESTIMONY

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A. The purpose of my testimony is to request the continuance of the Targeted Energy
3 Efficiency (“TEE”) program, which is a weatherization program for low-income
4 residential customers. Second, I support a small increase to the budget for the TEE
5 program. Third, I testify in support of the proposed slight increase in the residential
6 DSM factor and the elimination of the commercial DSM factor. In this regard, I also
7 support the Company’s proposed treatment of any over-collection or under-collection at
8 the time the commercial DSM factor is eliminated. Next, I support the Company’s
9 request that the Commission accept the Company’s Annual DSM Status Reports.
10 Finally, I explain the need and purpose of the Company’s proposed market potential
11 study and testify in support of the Company’s request for authorization to issue a request
12 for proposal (RFP) for the study and to recover its reasonable costs.

III. TARGETED ENERGY EFFICIENCY PROGRAM

13 **Q. PLEASE PROVIDE A DESCRIPTION OF KENTUCKY POWER’S TARGETED**
14 **ENERGY EFFICIENCY PROGRAM.**

15 A. Kentucky Power’s TEE program provides weatherization and energy efficiency services
16 to qualifying low-income residential customers who need help reducing their energy bills.
17 Kentucky Power collaborates with the five local community action agencies in the
18 Company’s service territory to directly implement the program. The TEE Program
19 supplements the state Weatherization Assistance Program.

20 The TEE Program is available on a voluntary basis to qualifying individual
21 residential customers receiving retail electric service from the Company, who have

1 primary electric heat and use at least an average of 700 kWh per month. Residential
2 customers without primary electric heating may also be eligible for limited efficiency
3 measures if they have electric water heating and use at least an average of 700 kWh per
4 month from November through March. To qualify, a household's income cannot exceed
5 the designated poverty guidelines as administered by the local community action agency.

6 **Q. IS THE COMPANY PROPOSING ANY MODIFICATIONS TO THIS**
7 **PROGRAM?**

8 A. No changes are proposed to the structure or guidelines governing the program. The
9 Company is proposing a reduction of the number of program participants and a
10 reallocation of available slots between heat pump to heat pump exchanges and central
11 furnace to heat pump exchanges. Through September 2021 the TEE program provided
12 for 53 central furnace to heat pump exchanges and zero heat pump to heat pump
13 exchanges. The Company also is proposing to reduce the number of program slots from
14 104 participants to 98 participants. Again, this reflects actual program activity levels
15 through September 2021: 53 participants versus the annual budgeted level of 104
16 participants.

17 **Q. WHAT IS THE PROPOSED 2022 BUDGET FOR THE TARGETED ENERGY**
18 **EFFICIENCY PROGRAM?**

19 A. The Company is proposing to slightly increase the funding level by \$6,600, or by
20 approximately 2.5 percent, from the current level of \$274,400 to \$281,000 for 2022.

21 **Q. WHY IS THE COMPANY PROPOSING TO INCREASE THE 2022 BUDGET**
22 **FOR THE TEE PROGRAM WHEN THE NUMBER OF PARTICIPANT SLOTS**
23 **IS BEING REDUCED?**

1 A. Kentucky Power is adjusting the program to reflect the 2021 customer participation levels
2 and the input of the local community action agencies. The TEE program will continue to
3 offer weatherization measures such as attic and floor insulation and efficient lighting. In
4 addition, based on these participation levels and input, the Company's proposes to reduce
5 the number of heat pump to heat pump exchanges from eight to five, and to increase the
6 number of central furnaces to heat pump exchanges from 54 to 60. Because the costs
7 allowed for central furnace to heat pump exchanges (\$2,600) are 62.5 percent greater
8 than the costs allowed for the heat pump to heat pump exchanges (\$1,600) to program
9 budget increased despite the reduction in the number of budgeted participants.

IV. DSM STATUS REPORTS

10 **Q. WHAT INFORMATION IS CONTAINED IN THE DSM STATUS REPORTS?**

11 A. The DSM Status reports are filed with the Commission during the annual DSM filing.
12 The reports contain program information on all DSM programs that were offered to
13 customers since program inception. **Exhibit 2** of the application contains the Annual
14 DSM Status Report for the 2020 program year and the Year-to-Date as of September 30,
15 2021 information for the 2021 program year. The Status Reports contain year-to-date
16 and program-to-date information as well as an index of all DSM programs both active
17 and inactive (closed). Information contained include DSM revenue collected, individual
18 program costs, energy savings and peak demand reductions as well as program
19 participation.

20 In the final Order in case no. 2017-00097, the Commission eliminated all DSM
21 programs with the exception of the Targeted Energy Efficiency program. It also
22 authorized the Company, subject to prescribed limits, to continue to collect lost revenue

1 and incentives for the programs that were eliminated. The 2020 Status Report reflects the
2 final collection of lost revenues and incentives for these closed programs.

V. DSM SURCHARGE FACTOR

3 **Q. IS THE COMPANY PROPOSING A CHANGE TO ITS DSM SURCHARGE**
4 **FACTOR?**

5 A. Yes. The Company is proposing to increase the residential surcharge factor by
6 approximately 6.1 percent from \$0.000131 per kWh to \$0.000139 per kWh. Kentucky
7 Power is also proposing to eliminate the commercial surcharge factor.

8 **Q. WHY IS THE COMPANY PROPOSING TO ELIMINATE THE COMMERCIAL**
9 **SURCHARGE FACTOR?**

10 A. When calculating the surcharge factor, the prior year (over)/under recovery, the current
11 and future program expenses (if any), and the current and future DSM collected revenue
12 are used. The 2020 program year had actual expenses and collected revenue through
13 September 30, 2020. At the time of the Company's DSM filings, there are three months
14 that must be estimated in the calculation. Since the Commercial DSM programs have
15 been frozen since early 2018, the lost revenue was accurately calculated for the 2020
16 program year. The forecasted DSM revenue is more difficult to calculate. Kentucky
17 Power uses estimated customer usage and the current DSM surcharge to estimate the
18 DSM revenue. Actual usage can differ from the estimated usage depending on how the
19 weather and temperature fluctuate.

20 The current over-recovery estimate for the Commercial programs is \$2,855.00.
21 Amounts this small are not practical to return to customers via a surcharge mechanism
22 base upon customer usage. In addition, the over-recovery is an estimate. We propose

1 eliminating the surcharge factor on cycle 1 of the January 2022 to allow Kentucky Power
2 to determine the actual over-recovery or under-recovery.

3 **Q. WHAT IS KENTUCKY POWER PROPOSING TO DO WITH THE BALANCE**
4 **OF THE COMMERCIAL PROGRAMS IN 2022?**

5 A. The Company is proposing to eliminate the Commercial surcharge on cycle 1 of the
6 January 2022 billing cycle. By eliminating the Commercial surcharge for 2022,
7 Kentucky Power will be able to determine the final balance of any over-recovery or
8 under-recovery remaining for the Commercial programs. The Company proposes to
9 defer this balance until its 2022 annual DSM filing when it will address the balance.

10 **Q. WHAT WILL IS THE EFFECT OF THE PROPOSED INCREASE IN THE**
11 **RESIDENTIAL DSM SURCHARGE FACTOR ON THE AVERAGE**
12 **RESIDENTIAL CUSTOMER’S BILL?**

13 A. In 2021, the average residential customer using 1,300 kWh per month received a monthly
14 DSM charge of \$0.17. The new proposed rate results in a \$0.18 monthly charge to the
15 same customer.

16 **Q. WHAT SUPPORT DOES THE COMPANY OFFER FOR ITS CALCULATION**
17 **OF ITS SURCHARGE FACTOR?**

18 A. “Schedule C” which is filed as **Exhibit 5** to the Application, supports the Company’s
19 calculation of the surcharge factor the Company proposes in this case.

VI. MARKET POTENTIAL STUDY

20 **Q. WHAT IS A MARKET POTENTIAL STUDY?**

21 A. A market potential study (“MPS”) is a study conducted by a third party on behalf of
22 Kentucky Power. The study reviews the demographics of customers in the Company’s

1 service territory to help identify the most effective energy efficiency measures for those
2 customers. A MPS is tailored to the requirement of the Company requesting the study so
3 a company can request consumer DSM program designs for the utilization of the
4 measures identified by the study. In addition, the study can estimate the Company's
5 energy and demand savings for each of the designed programs.

6 **Q. HOW WOULD THE COMPANY USE THE RESULTS OF THE STUDY?**

7 A. The Company would use the results of the MPS to identify cost-effective programs and
8 low-income programs that could be utilized by customers. The Company would specify
9 in the beginning of the study that the focus should be only cost-effective program
10 (programs that pass the cost benefit analyses) and the Company would emphasize the
11 need for low-income programs. The Company would also request estimated energy
12 savings for each program and that information would be used to forecast future energy
13 needs for Kentucky Power. The Company would then seek approval to issue a RFP to
14 third-party vendors and solicit bids for implementing and managing these identified DSM
15 programs so as to determine the cost and budget of said programs. These would be used
16 to build a DSM portfolio that could be managed by the Company and provide a guide for
17 moving forward with DSM programs.

18 **Q. WHY IS KENTUCKY POWER PROPOSING TO CONDUCT A MARKET
19 POTENTIAL STUDY?**

20 A. In the final Order in Case no. 2017-00097, the Commission stated "Kentucky Power
21 should eliminate offering any DSM programs, other than those programs that target
22 income-eligible residential customers, until there is a change in Kentucky Power's
23 capacity position that indicates a need for additional generation to serve its load."

1 The Company’s Rockport Unit Power Agreement (“UPA”) will expire on
2 December 7, 2022. The Company will be capacity short at that time and will require
3 additional generation or contract capacity.

4 Market potential studies are a “snap-shot” in time. As such, the older the
5 information, the less accurate and useful the information is. The last MPS conducted by
6 the Company was in 2014 and submitted to the Commission in Case No. 2015-00271. It
7 used information from 2012 and 2013 and as a result the 2014 MPS is stale. A new MPS
8 will allow Kentucky Power to identify relevant DSM programs that are helpful to its
9 customer base as well as pass cost-benefit analyses. The study will provide a roadmap
10 for moving forward with DSM programs following the expiration of the Rockport UPA.

11 In its final order in Case No. 2017-00097, the Commission stated, “In the event
12 Kentucky Power seeks in the future to expand its DSM offerings, any future application
13 should be supported by detailed and robust cost-benefit analyses along with information
14 concerning the company’s capacity position and the need for the proposed DSM
15 programs.” A MPS is necessary to comply with the Commission’s instructions and to
16 identify programs that are sustainable and address customer needs.

17 **Q. HOW MUCH WILL THE MARKET POTENTIAL STUDY COST?**

18 A. The cost of a MPS depends on many factors, including but not limited to the size of the
19 utility, the number of customers served by the utility, the scope of the work involved and
20 the availability of research information. Kentucky Power is requesting the authorization
21 to issue a RFP for an MPS. The RFP will help identify the potential scope of the MPS, as
22 well as the potential vendors, a timeline for the study and a better estimate on the cost of
23 the project.

1 **Q. HOW WILL THE COMPANY RECOVER THE COST OF THE MARKET**
2 **POTENTIAL STUDY?**

3 A. Historically, Kentucky Power has included DSM program evaluation costs and market
4 studies in the annual DSM Rider filing. By issuing a RFP and selecting a vendor for the
5 study, the Company will propose to include the cost of the MPS in the calculation for the
6 2023 DSM surcharge.

VII. CONCLUSION

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes.

