

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 With The)	Case No. 2022-00392
Implementation Of Its Demand-Side Management)	
Programs; (3) Acceptance Of Its Annual DSM Status)	
Report; And (4) 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. My duties included developing, issuing, and
2 evaluating requests for proposals for potential DSM programs and third-party managers.
3 I also implemented and managed new DSM programs, managed program budgets,
4 assisted with Kentucky Public Service Commission (“Commission”) filings and status
5 reports, drafted and responded to Commission data requests and inquiries, and assisted
6 with testimony development. In April 2018, I assumed my current position as Regulatory
7 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 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 three Annual
17 Demand Side Management filings in Case Nos. 2019-00410, 2020-00362, and 2021-
18 00420. I submitted testimony and testified in the Company’s last base rate case, Case
19 No. 2020-00174. I also filed testimony and testified in the Company’s last 6-month Fuel
20 Adjustment Clause review, Case No. 2022-00036.

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 the Company’s request that the Commission
 5 accept the Company’s Annual DSM Status Reports. Next, I provide a status update on
 6 the Company’s Market Potential Study (“MPS”). Finally, I testify in support of the
 7 proposed true-up with respect to the commercial DSM factor and the proposed slight
 8 increases in the residential and commercial DSM factor to recover costs associated with
 9 the MPS, which the Company was approved to perform and recover costs for in Case No.
 10 2021-00420.¹

III. TARGETED ENERGY EFFICIENCY PROGRAM

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

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

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

¹ Order, In the Matter of: *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*, Case No. 2021-00420 at 8 (ordering paragraph 5) (Ky. P.S.C. December 27, 2021).

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. The Company proposes to keep the TEE program budget and participation targets
9 the same as the 2022 program year. However, when completed, the Company anticipates
10 that the MPS (described in more detail below) will provide further insight into how the
11 program could be modified in the future as well as inform other program offerings
12 beneficial to customers.

13 **Q. WHAT IS THE PROPOSED 2023 BUDGET FOR THE TARGETED ENERGY**
14 **EFFICIENCY PROGRAM?**

15 A. The Company is proposing to keep the TEE program budget at \$281,000 and keep the
16 participation target at 98 customers for 2023.

IV. MARKET POTENTIAL STUDY

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

18 A. A market potential study, or MPS, is a study conducted by a third party on behalf of
19 Kentucky Power. The study reviews the demographics of customers in the Company's
20 service territory to help identify the most effective energy efficiency measures for those
21 customers. An MPS is tailored to the requirements of the Company requesting the study,
22 and a company can request consumer DSM program designs for the utilization of the

1 measures identified by the study. In addition, the study can estimate the Company's
2 energy and demand savings for each of the designed programs.

3 In Case No. 2021-00420, the Commission found that “a market potential study should be
4 conducted to determine a suite of DSM and EE programs that are cost effective and avoid
5 more expensive supply-side resources.”² The Commission further “encourage[d]
6 Kentucky Power to aggressively pursue cost-effective DSM programs given the high
7 avoided capacity costs that will occur following the expiration of the Rockport UPA.”³
8 The Commission also authorized Kentucky Power to “recover reasonable costs incurred
9 in connection with [the MPS].”⁴

10 **Q. WHAT IS THE STATUS OF THE MARKET POTENTIAL STUDY?**

11 A. The Company issued an RFP to conduct the MPS in early 2022. The Company received
12 six proposals from different vendors. The Company reviewed the proposals, conducted
13 interviews, and ultimately selected GDS Associates, Inc. (“GDS”) as its vendor. The
14 Company contracted with GDS in August 2022. GDS is working on the MPS and
15 Kentucky Power holds bi-weekly calls for status updates. The MPS is anticipated to be
16 completed in April 2023. Kentucky Power anticipates it will start receiving invoices for
17 work completed by GDS on the MPS in early December 2022.

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

19 A. The amount of the contract is \$371,150. This amount is proposed to be divided equally
20 (50/50) between the residential and commercial customer classes upon recommendation
21 by GDS. After allocation to the respective customer class, those amounts are then
22 included in the residential and commercial customer surcharge factors. The Company

² *Id.* at 7.

³ *Id.*

⁴ *Id.* at 8 (ordering paragraph 5).

1 proposes for this amount to be trued-up to actual costs in the Company's November 2023
2 DSM filing.

V. DSM STATUS REPORTS

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

4 A. The DSM Status reports are filed with the Commission during the annual DSM filing.
5 The reports contain program information on all DSM programs that were offered to
6 customers since program inception. Exhibit 2 of the Application contains the Annual
7 DSM Status Report for the 2021 program year and the Year-to-Date as of September 30,
8 2022 information for the 2022 program year. The Status Reports contain year-to-date
9 and program-to-date information as well as an index of all DSM programs both active
10 and inactive (closed). Information contained therein includes DSM revenue collected,
11 individual program costs, energy savings and peak demand reductions as well as program
12 participation.

VI. DSM SURCHARGE FACTOR

13 **Q. IS THE COMPANY PROPOSING A CHANGE TO ITS DSM SURCHARGE**
14 **FACTOR?**

15 A. Yes. The Company is proposing to slightly increase the residential surcharge factor from
16 \$0.000139 per kWh to \$0.000247 per kWh. Kentucky Power is also proposing to
17 increase the commercial surcharge factor from zero to \$0.000126.

18 **Q. WHY IS THE COMPANY PROPOSING TO INCREASE THE DSM**
19 **SURCHARGE FACTOR?**

20 A. The Company proposes to increase the surcharge factor in order to recover the cost of the
21 MPS. The Commission approved the Company's request to perform the MPS and

1 recover the costs associated with it by its Order dated December 27, 2021 in Case No.
2 2021-00420.⁵ The Company proposes to recover the contract amount to perform the
3 MPS (\$371,150) equally from the two customer classes who will actually benefit from
4 the MPS—commercial and residential customers. The Company proposes for this
5 amount to be trued-up to actual costs as part of the Company’s November 2023 DSM
6 filing.

7 **Q. WHAT IS THE ANTICIPATED EFFECT ON THE AVERAGE RESIDENTIAL**
8 **CUSTOMER’S BILL AS A RESULT OF THE PROPOSED INCREASE?**

9 A. In 2022, the average residential customer using 1,300 kWh per month received a monthly
10 DSM charge of \$0.18. The new proposed rate results in a \$0.32 monthly charge to the
11 same customer. This is an increase of 14 cents per customer per month.

12 **Q. IS THERE A TRUE-UP TO BE PERFORMED WITH RESPECT TO THE 2021**
13 **COMMERCIAL DSM BALANCE?**

14 A. Yes. As explained in Case No. 2021-00420, Kentucky Power estimated an over-recovery
15 (“True-up”) of approximately \$2,855 at the end of 2021 for the commercial DSM
16 balance.⁶ Because it is not practical to eliminate this small credit balance through bill
17 credits, the Commission authorized Kentucky Power to eliminate its commercial DSM
18 surcharge as of cycle 1 of the January 2022 billing and defer the True-up as a regulatory
19 asset.⁷ As stated in Case No. 2021-00420, the proposed regulatory asset would not
20 receive a carrying charge and the balance would be addressed in Kentucky Power’s
21 November 2022 annual DSM filing.⁸

⁵ *Id.*

⁶ *Id.* at 5.

⁷ *Id.* at 5, 7 (ordering paragraphs 3, 4).

⁸ *Id.*

1 As part of that obligation, the Company filed its Notice of Filing DSM Commercial
2 Schedule Year-End Reconciliation on January 21, 2022 in case No. 2021-00420 and
3 stated that there was a year-end True-up in the amount of \$2,553.58. However, this
4 amount failed to take into account customer bills that were sent in January 2022 but for
5 which the customer also took some days of service in December 2021. The correct
6 amount of the year-end True-up for 2021 is \$3,681.99.

7 **Q. HOW DOES KENTUCKY POWER PROPOSE TO ADDRESS THE**
8 **COMMERCIAL CUSTOMER YEAR-END 2021 DSM BALANCE?**

9 A. The Company proposes to subtract the amount of the True-up (\$3,681.99) from the
10 amount proposed to be collected from the commercial class of customers in 2023. This
11 proposal has the effect of reducing the commercial customer surcharge factor from
12 \$0.000128 to \$0.000126.

13 **Q. FINALLY, WHAT SUPPORT DOES THE COMPANY OFFER FOR ITS**
14 **CALCULATION OF ITS SURCHARGE FACTOR?**

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

VII. CONCLUSION

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

18 A. Yes.

