

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. 2023-00362
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 (“FAC”)
12 filings with the Commission. Additionally, I assist with the Company’s other periodic
13 Commission regulatory filings.

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

16 A. Yes. I submitted testimony in the last four Demand Side Management adjustment clause
17 proceedings (Case Nos. 2019-00410, 2020-00362, 2021-00420, and 2022-00392), in the
18 Company’s last base rate case (Case No. 2020-00174), and sponsored discovery
19 responses in the Company’s last two 6-month FAC review cases (Case No. 2022-00036
20 and Case No. 2022-00263, respectively) and the Company current base case (Case No.
21 2023-00159).

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 minor changes to the TEE program for 2024,
5 Next, I support the Company’s request that the Commission accept the Company’s
6 Annual DSM Status Reports. Finally, I provide a status update on the Company’s Market
7 Potential Study (“MPS”).

8 **Q. IS THE COMPANY PROPOSING AS PART OF THIS CASE ANY NEW DSM OR**
9 **ENERGY EFFICIENCY PROGRAMS?**

10 A. No, the Company is not proposing any new DSM or Energy Efficiency programs as part
11 of this case. As I explain later in my testimony, the Company has received the results of
12 the Market Potential Study it commissioned to examine new potential DSM programs for
13 the Company’s service territory and issued a request for proposals (“RFP”) for new
14 programs. The Company plans to file an application for the approval of selected DSM
15 programs in the second quarter of 2024, after the Company receives the results of the
16 RFP and selects DSM programs to propose.

III. TARGETED ENERGY EFFICIENCY PROGRAM

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

19 A. Kentucky Power’s TEE program provides weatherization and energy efficiency services
20 to qualifying low-income residential customers who need help reducing their energy bills.
21 Kentucky Power collaborates with local community action agencies in the Company’s

1 service territory to directly implement the program. The TEE Program supplements the
2 state Weatherization Assistance Program.

3 The TEE Program is available on a voluntary basis to qualifying individual
4 residential customers receiving retail electric service from the Company, who have
5 primary electric heat and use at least an average of 700 kWh per month. Residential
6 customers without primary electric heating may also be eligible for limited efficiency
7 measures if they have electric water heating and use at least an average of 700 kWh per
8 month from November through March. To qualify, a household's income cannot exceed
9 the designated poverty guidelines as administered by the local community action agency.

10 **Q. IS THE COMPANY PROPOSING ANY MODIFICATIONS TO THIS**
11 **PROGRAM?**

12 A. Yes. The Company proposes to increase the incentive levels for this low-income
13 program based upon the Market Potential Study completed by GDS Associates, Inc.
14 ("GDS"). In the 2023 Market Potential Study, it was recommended that incentive levels
15 be increased for the replacement or upgrading of HVAC equipment. The
16 recommendation was to better align the incentive amounts for these measures with other
17 programs across the industry which help offset rising equipment costs and increase the
18 probability of more customers being eligible for this type of improvement. The Company
19 proposes to increase the incentive level from \$2,600 to \$3,000 for the replacement of an
20 all-electric furnace and increase the incentive from \$1,600 to \$2,500 for heat pump
21 change outs.

22 As part of the incentive change, the Company is also proposing to modify
23 program targets slightly. The Company proposes to reduce the number of heat pump

1 change outs from five to three in 2024 and would hold the replacement of all-electric
2 furnaces at the current level of 60 participants. The proposed reduction to the number of
3 heat pump change outs was recommended so that the 2024 program year will better
4 reflect current participation trends, which is zero, while still allowing for some heat pump
5 change outs to be submitted in 2024. The Company also proposes to lower the all-electric
6 home audits from 93 to 89 for 2024 to better reflect current participation levels. No
7 additional modifications are requested for the TEE program at this time.

8 **Q. WHAT IS THE PROPOSED 2024 BUDGET FOR THE TARGETED ENERGY**
9 **EFFICIENCY PROGRAM?**

10 A. The Company is proposing to increase the TEE program budget from \$281,000 to
11 \$299,500 and decrease the participation target from 98 customers to 94 customers for
12 2024.

IV. MARKET POTENTIAL STUDY

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

14 A. A market potential study, or MPS, is a study conducted by a third party on behalf of
15 Kentucky Power. The study reviews the demographics of customers in the Company's
16 service territory to help identify the most effective energy efficiency measures for those
17 customers. An MPS is tailored to the requirements of the Company requesting the study,
18 and a company can request consumer DSM program designs for the utilization of the
19 measures identified by the study. In addition, the study can estimate the Company's
20 energy and demand savings for each of the designed programs. In Case No. 2021-00420,
21 the Commission found that "a market potential study should be conducted to determine a
22 suite of DSM and EE programs that are cost effective and avoid more expensive supply-

1 side resources.”¹ The Commission further ordered in that case that Kentucky Power was
 2 authorized to “recover reasonable costs incurred in connection with this study.”²

3 In Case. No. 2022-00392, the Company’s last annual DSM filing, the Company
 4 proposed:

5 to recover the contract amount to perform the MPS (\$371,150) [the
 6 contract price] equally (50/50) from the residential and commercial
 7 customer classes pursuant to the recommendation of the MPS consultant.
 8 Kentucky [P]ower intends to include those allocations in the residential
 9 and commercial customer surcharge factors and implement a true-up
 10 mechanism in its November 2023 DSM filings. Additionally, Kentucky
 11 Power proposed to defer any final under- or over-recovery of the costs to
 12 perform the MPS until its 2023 annual DSM filing (for the 2023 calendar
 13 year) and establish a regulatory asset or liability directly related to the
 14 MPS costs as needed.³

15 The Commission further ordered Kentucky Power “to file the total under- or over-
 16 recovery with respect to the costs to perform the MPS in its 2023 annual DSM filing.”⁴

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

18 **A.** GDS Associates, Inc. was hired in August 2022 to conduct the Company’s Market
 19 Potential Study. The MPS was completed in June of 2023 and a copy of the completed
 20 study was filed in the record of the Company’s 2022 DSM filing (Case No. 2022-00392)
 21 on August 11, 2023. As part of the MPS, GDS provided recommendations for a DSM

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 7 (Ky. P.S.C. December 27, 2021).

² *Id.* at 8, ordering paragraph 5.

³ 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; And (4) All Other Required Approvals And Relief*, Case No. 2022-00392 at 6 (Ky. P.S.C. January 6, 2023).

⁴ *Id.*

1 program design. The Company is reviewing those recommendations and requests to
2 implement GDS's incentive level recommendations for the TEE program as part of this
3 application. Additionally, the Company issued Requests for Proposals ("RFP") for
4 several DSM programs after reviewing the results of the MPS. The Company plans to
5 use GDS's program recommendations, and the information obtained from the RFP to
6 design and propose new DSM programs and budgets in the second quarter of 2024.

7 **Q. WHY IS THE COMPANY NOT PROPOSING NEW DSM PROGRAMS WITH**
8 **THIS FILING?**

9 A. The Company is required to file this application to continue its existing DSM program
10 each year by November 15, 2023. Because the Company has not yet received the results
11 of the RFP, the Company lacks crucial information at this time to propose new programs.
12 The RFP information will give the Company a better understanding of the costs of the
13 programs being offered and if multiple programs can be combined and managed by a
14 single contractor to lower administration and management costs. Thus, the Company
15 plans to make its filing for approval of new DSM programs in the second quarter of 2024
16 when this information is known.

17 **Q. WHAT WAS THE FINAL COST OF THE MARKET POTENTIAL STUDY?**

18 A. The original amount of the contract was \$371,150.00. The Company has paid a total of
19 \$220,000.82 to GDS through September 2023. The Company has received and is
20 processing a final invoice of \$26,544.54. The Company expects to come in under budget,
21 or below the initial contract price for the MPS, by \$124,604.64. The excess amount
22 budgeted and collected for the contract has been factored into the 2024 DSM surcharge
23 factor and is being credited back to customers.

V. DSM STATUS REPORTS

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

2 A. The DSM Status reports are filed with the Commission during the annual DSM filing.
3 The reports contain program information on all DSM programs that were offered to
4 customers since program inception. **Exhibit 2** of the Application contains the Annual
5 DSM Status Report for the 2022 program year and the Year-to-Date as of September 30,
6 2023 information for the 2023 program year. The Status Reports contain year-to-date
7 and program-to-date information as well as an index of all DSM programs both active
8 and inactive (closed). Information contained therein includes DSM revenue collected,
9 individual program costs, energy savings and peak demand reductions as well as program
10 participation.

VI. DSM SURCHARGE FACTOR

11 **Q. IS THE COMPANY PROPOSING A CHANGE TO ITS DSM SURCHARGE**
12 **FACTOR?**

13 A. Yes. The Company is proposing to decrease the residential surcharge factor from
14 \$0.000247 per kWh to \$0.000149 per kWh. Kentucky Power is also proposing to reduce
15 the commercial surcharge factor and give customers a credit of (\$0.000016) per kWh.

16 **Q. WHY IS THE COMPANY PROPOSING TO DECREASE THE DSM**
17 **SURCHARGE FACTOR?**

18 A. The proposed decrease in the 2024 residential rate is due to a couple of factors. First,
19 there was an over recovery from the prior period that factors into the rate calculation.
20 Next, the proposed 2024 DSM budget is lower than the 2023 DSM budget because the
21 MPS expenses are being collected in 2023. Finally, the Company is truing up the MPS

1 costs. Although the overall budget for the TEE program has increased, the factors
2 identified above lower the amount to be collected in the 2024 program year and thus
3 lower the residential rate.

4 The main reason for the proposed decrease in the 2024 commercial rate is due to
5 the MPS true-up and crediting back to customer the amount that was over recovered in
6 the 2023 program year.

7 As explained previously in my testimony, the Company is planning to propose
8 new DSM programs in the second quarter of 2024, and the Company also will propose a
9 new rate as part of that filing.

10 **Q. WHAT IS THE ANTICIPATED EFFECT ON THE AVERAGE RESIDENTIAL**
11 **CUSTOMER’S BILL AS A RESULT OF THE PROPOSED DECREASE?**

12 A. In 2023, the average residential customer using 1,300 kWh per month received a monthly
13 DSM charge of \$0.32. The new proposed rate results in a \$0.19 monthly charge to the
14 same customer. This is a decrease of 13 cents per customer per month.

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

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

VII. CONCLUSION

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

20 A. Yes.

