

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION PURSUANT TO)	
HOUSE BILL NO. 501 FOR THE APPROVAL OF)	
KENTUCKY POWER COMPANY)	
COLLABORATIVE DEMAND-SIDE)	
MANAGEMENT PROGRAMS, AND FOR)	CASE NO.
AUTHORITY TO IMPLEMENT A TARIFF TO)	2010-00067
RECOVER COSTS, NET LOST REVENUES)	
AND RECEIVE INCENTIVES ASSOCIATED)	
WITH THE IMPLEMENTATION OF THE)	
KENTUCKY POWER COMPANY COLLABORATIVE)	
DEMAND-SIDE MANAGEMENT PROGRAMS)	

ORDER

On February 15, 2010, Kentucky Power Company ("Kentucky Power") and its Demand-Side Management Collaborative filed a joint application with the Commission. Kentucky Power requests approval to revise its electric tariff designed to recover costs associated with the implementation of Kentucky Power's demand-side management ("DSM") programs, including net lost revenues and incentives associated with the programs. Kentucky Power also requests approval to increase participation levels for the Modified Energy Fitness Program and the all-electric homes under the Targeted Energy Efficiency Program.

The filing included a revised tariff proposing an increased DSM surcharge for Kentucky Power's residential customers to become effective March 31, 2010, as well as a status report summarizing the programs that comprise Kentucky Power's DSM plan for the six-month period ending December 31, 2009. The matter stands submitted to the Commission for a decision.

DISCUSSION

The DSM summary status report describes year-to-date and program-to-date costs, as well as demand and energy savings attributed to each DSM program through December 31, 2009. The filing also includes cost projections for the DSM programs for the calendar year 2010.

The current DSM expected revenue requirement including program costs, lost revenues, and financial incentives is just over \$1.9 million for 2010, up from almost \$1.4 million in 2009.¹ Peak demand reduction in 2009 totaled 345 kW in the summer and 1,401 kW in winter.²

The revised DSM tariff includes an increase in the DSM surcharge factor for residential customers from \$.000633 per kWh to \$.000711 per kWh.³ The revised DSM surcharge factor was calculated using the methodology proposed by Kentucky Power and approved by the Commission in previous Kentucky Power DSM cases.

¹ Exhibit C, pages 15a through 16b, Kentucky Power's filing of February 15, 2010.

	<u>2009</u>	<u>2010 Estimate</u>
Program Cost	\$ 942,697	\$1,333,525
Total Net Lost Revenue	\$ 251,407	\$ 358,851
Total Incentive	<u>\$ 181,331</u>	<u>\$ 222,398</u>
Total	\$1,375,435	\$1,914,774

² Demand-Side Management Status Report as of December 31, 2009, filed with application on February 15, 2010.

³ Kentucky Power's DSM surcharge for commercial customers was discontinued on November 21, 2005 as approved by the Commission in Case No. 2005-00333, Joint Application Pursuant to 1994 House Bill No. 501 for the Approval of American Electric Power/Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Implement a Tariff to Recover Costs, Net Revenues and Receive Incentives Associated with the Implementation of the Kentucky Power Company Collaborative Demand-side Management Programs (Ky. PSC Nov. 21, 2005).

Kentucky Power requests approval to increase annual participation levels for the Modified Energy Fitness Program from last year's target level of 800 customers per year to 1,200 customers per year. This program provides energy audits, blower door testing, duct sealing, and installation of low-cost conservation measures to residential customers using electric space heating and electric water heating. Kentucky Power states that this increase will assist in reducing the backlog of customers requesting an energy audit and enable Kentucky Power to achieve its annual energy and demand reduction goals.

In addition, approval is sought to increase annual participation levels for the all-electric homes segment of the Targeted Energy Efficiency Program from last year's target level of 210 homes per year to 415 homes per year. This program is targeted to low-income customers and provides services such as home energy audits, weatherization, and seal-up. According to Kentucky Power, the increase is necessary due to the recent influx of federal stimulus funds and the hiring of additional weatherization crews at each of the Community Action Agencies. This increase will ultimately allow for more electric homes to be weatherized in 2010.

FINDINGS

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Kentucky Power has sufficiently updated the Commission on the status of the programs which comprise its DSM plan.

2. Kentucky Power's proposed revised tariff, reflecting recovery of costs associated with the implementation of its DSM programs, including net lost revenues and incentives associated with the programs, is reasonable and should be approved.

3. Kentucky Power's request to increase the target participation levels for the cited DSM programs will provide conservation and efficiency measures to more customers, increasing total levels of energy and demand reductions.

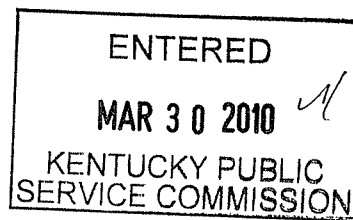
IT IS THEREFORE ORDERED that:

1. Kentucky Power's revised tariff proposing a DSM surcharge factor of \$.000711 per kWh for residential customers is approved effective on and after March 30, 2010 as proposed.

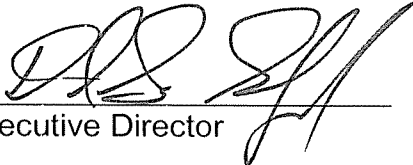
2. Within 10 days of the date of this Order, Kentucky Power shall file its revised tariff showing the date of issue and that it was issued by authority of this Order.

3. Kentucky Power's proposed increase in the target participation levels of the Modified Energy Fitness Program and Targeted Energy Efficiency Program is approved.

By the Commission



ATTEST:


Executive Director

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