

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION PURSUANT TO 1994 HOUSE BILL )  
NO. 501 FOR THE APPROVAL OF KENTUCKY POWER )  
COMPANY COLLABORATIVE DEMAND-SIDE )  
MANAGEMENT PROGRAMS AND FOR AUTHORITY TO )  
RECOVER COSTS, NET LOST REVENUES AND ) CASE NO.  
RECEIVE INCENTIVES ASSOCIATED WITH THE ) 2010-00198  
IMPLEMENTATION OF ONE NEW COMBINED )  
RESIDENTIAL/COMMERCIAL AND ONE COMMERCIAL )  
DEMAND-SIDE MANAGEMENT PROGRAM BEGINNING )  
AUGUST 2, 2010 )

ORDER

On May 13, 2010, Kentucky Power Company and its Demand-Side Management Collaborative ("Kentucky Power"),<sup>1</sup> except for the Attorney General, filed an application seeking authority to implement the following proposed Demand-Side Management ("DSM") programs:

1. A new Commercial Incentive Program; and
2. A Pilot Residential and Small Commercial Load Management Program.

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<sup>1</sup> The Collaborative includes Kentucky Power, the Attorney General, Kentuckians for the Commonwealth, Big Sandy Area Development District, Northeast Kentucky Area Development Council, Kentucky Tech Northeast Region, Christian Appalachian Project, Coleman Oil, Cedar Knoll Galleria, Kentucky Industrial Utility Customers, Big Sandy Area Community Action Program, LKLP – Community Action Council, Appalachian Regional Defense Fund, Appalachian Service Project, and Middle Kentucky River Area Development Council. The Attorney General has determined that he cannot be one of the applicants and still reserve his right to intervene in the event he has concerns about any of the programs to which the other Collaborative members have agreed.

### Commercial Incentive Program

The proposed Commercial Incentive Plan is designed to apply to efficiency measures not currently addressed or offered by any current Kentucky Power DSM Program. The proposed program will focus on measures or projects having unit energy savings that can be reliably estimated which, in turn, can result in the establishment of standard per-measure savings and incentive levels. For more complex measures that are customized to the specific needs of a participating customer, incentives will be based on annual estimated energy savings as determined through engineering-based calculations or measured and verified energy savings. New construction could be eligible by auditing the design plans and identifying energy-saving measures. However, fuel-switching and previously completed jobs will not qualify to be included in the Commercial Incentive Plan. All technologies will be analyzed to determine eligibility and to verify projected savings.

The primary objectives of the Commercial Incentive Program are: 1) to increase the market share of commercially applicable technologies; 2) to increase the installation rate of high-efficient technologies by commercial customers who otherwise would not have done so; and 3) to ensure that existing equipment being used by commercial customers is operating at peak efficiency. Kentucky Power's participation goals for this program range from 7 customers in 2010 to an estimated 88 customers in 2011 and an estimated 172 customers in 2012.

Potential program measures will be in the areas of lighting, HVAC applications, and motors and drives. Measures that may be eligible through this program include, but are not limited to, the following:

1. Compact fluorescent lamps;
2. LED signage;
3. High performance lamps and fixtures;
4. Fluorescent lamps;
5. Pulse Start Metal Halide;
6. Electronic dimming ballast;
7. Delamping with reflectors;
8. Occupancy Sensors;
9. LED Traffic Signals;
10. Cold cathode lamps;
11. High efficiency HVAC equipment;
12. Addition of an economizer;
13. Programmable thermostat;
14. Reflective window film;
15. NEMA Premium motors; and
16. Adding electronic adjustable-speed drives for fans and pumps.

The customized portion of this program may include measures relating to improved processes, refrigeration, compressed air, controls, retro-commissioning, and cool roofs. Custom applications are expected to result in additional eligible measures.

Incentives for qualifying prescriptive measures will vary and will be provided to customers at the lesser of (1) a calculated incentive level, or (2) up to 50 percent of the incremental equipment cost of qualifying energy-efficient products (i.e., those costs above federal and/or state efficiency levels).

Incentive levels will be finalized based upon proposals submitted by an implementation contractor who has been selected through a competitive bidding process. Kentucky Power will work with an implementation contractor to define incentive levels for the prescriptive qualifying efficiency measures. Incentives are expected to be in the range of \$0.08 per kWh of the estimated annual savings from the project, on average, or as suggested by the contractor, and will be in the form of a one-time incentive payment.

Incentives offered relating to the custom portion of the program will be calculated based on review, analysis, and verification of estimated energy savings performed by the contractor and Kentucky Power. Incentive levels associated with the customized aspects of the program are expected to be in the same range as those relating to the prescriptive measures and will also be in the form of a one-time payment.

#### Pilot Residential and Small Commercial Load Management Program

The Pilot Residential and Small Commercial Load Management Program is designed to determine whether peak demand can be reduced through the installation of load control switches on residential and small commercial central air conditioners, heat pumps, and/or electric water heaters. Cycling of central air conditioners and heat pumps during peak periods has been incorporated into the demand reduction strategy of many other electric utilities across the country.

Kentucky Power plans to install 1,000 switches for residential customers and 100 switches for commercial customers participating in this program over the course of the three-year program (2010-2012). This program will be offered to customers taking retail service from Kentucky Power with existing qualifying equipment.

Incentives involved with this program include a customer credit of \$5 per summer month (June, July, August, and September) for each participating air conditioner or heat pump. Customers with electric water heaters will receive an additional \$1 per summer and winter months (June, July, August, September, November, December, January, and February) per participating unit.

This program will only be available in areas where the necessary communication infrastructure is available.

Kentucky Power will perform an evaluation of the proposed programs to determine customer satisfaction, assess market potential, quantify the impacts of the program, determine cost effectiveness, and determine the effectiveness of program implementation. An evaluation report is anticipated during the first half of 2012.

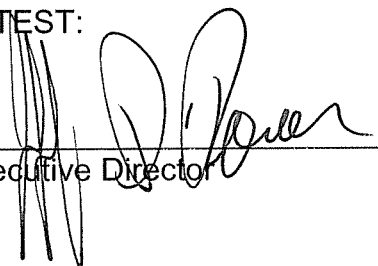
IT IS HEREBY ORDERED that:

1. The proposed programs are reasonable and consistent with the provisions of KRS 278.285 and are approved.
2. Within 10 days of the date of this Order, Kentucky Power shall file a revised tariff showing the date of issue and that it was issued by authority of this Order.
3. Kentucky Power shall continue to file annual status reports and program evaluation reports as they become available.

By the Commission

ENTERED *M*  
OCT 15 2010  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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