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October 28, 2011

HAND DELIVERED

Jeff R. Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

OCT 28 2011

PUBLIC SERVICE
COMMISSION

Mark R. Overstreet
(502) 209-1219
(502) 223-4387 FAX
moverstreet@stites.com

RE: Case No. 2011-300

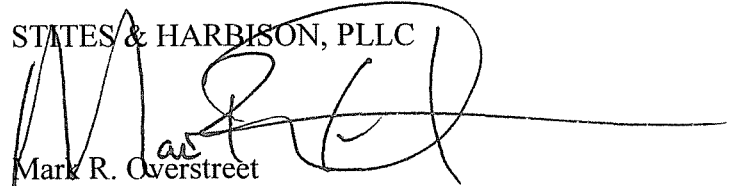
Dear Mr. Derouen:

Enclosed please find the original and ten copies of Kentucky Power Company's Responses to the October 14, 2011 Data Requests of Staff and the Attorney General.

A copy of this letter and the responses also are being served on the Attorney General.

Very truly yours,

STITES & HARBISON, PLLC



Mark R. Overstreet

MRO

cc: Jennifer Black-Hans

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

APPLICATION OF KENTUCKY POWER COMPANY)
FOR COLLABORATIVE DEMAND-SIDE MANAGEMENT)
PROGRAMS AND FOR AUTHORITY TO IMPLEMENT)
A TARIFF TO RECOVER COSTS AND NET LOST)
REVENUES AND RECEIVE INCENTIVES ASSOCIATED) CASE NO.
WITH THE IMPLEMENTATION OF THE KENTUCKY) 2011-00300
POWER COMPANY COLLABORATIVE DEMAND-SIDE)
MANAGEMENT PROGRAMS)

KENTUCKY POWER COMPANY RESPONSES TO
ATTORNEY GENERAL'S FIRST SET OF DATA REQUESTS

October 28, 2011

VERIFICATION

The undersigned, E J Clayton, being duly sworn, deposes and says he is the Manager EE & Consumer Programs, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief

E J Clayton

E J Clayton

Kentucky)
) SS
County of Boyd)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by E J Clayton, this the 25th day of October, 2011.

Deborah Leigh Jones

Notary Public

My Commission Expires: 3-20-2012

VERIFICATION

The undersigned, Lila P. Munsey, being duly sworn, deposes and says she is the Manager, Regulatory Services for Kentucky Power, that she has personal knowledge of the matters set forth in the forgoing responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge, and belief

Lila P. Munsey
Lila P. Munsey

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2011-00300
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Lila P. Munsey, this the 27th day of October, 2011.

Judy K. Resquist
Notary Public

My Commission Expires: *January 23, 2013*

Kentucky Power Company

REQUEST

Please state whether any consideration was given to modifying any existing programs, or implementing a new program for weatherization of existing mobile homes.

- a. If so, please provide complete details, including any and all options considered, and costs associated therewith, and potential energy savings.

RESPONSE

Kentucky Power did not consider modification of existing programs with exception of implementing recommendations included with program evaluation reports. At this time, there are no structural changes planned for existing DSM programs. Kentucky Power is reviewing minor modifications to the EE measures included with the Modified Energy Fitness program such as increasing the number and (or) expanding the types of EE measures installed at the customer residence. Potential changes may include increasing the number and type of high efficiency lights (currently 2 CFLs) and (or) providing other EE measures such as installing one or two smart power strips. Kentucky Power is working with the program implementation contractor to develop cost effective program recommendations which will be reviewed and considered for approval by the DSM collaborative.

The company currently offers several cost effective weatherization programs for mobile homes. The Target Energy Fitness program and the Modified Energy Fitness program offer weatherization services to mobile homes and site-built homes. Approximately 384 mobile home customers received weatherization services through the Targeted Energy Fitness program for 2009 and 2010. Additional mobile home customers also received weatherization services in 2009 and 2010, through the Modified Energy Fitness program. In addition to these programs, upgraded insulation for new manufactured homes is provided with the companies Mobile Home New Construction program. The Company does not recommend a new weatherization program for residential mobile homes at this time.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Please state whether any polling of customers conducted to consider whether weatherization programs should be expanded.

- a. If so, please provide complete details together with summaries of any relevant polling data.

RESPONSE

- a. The KY DSM group has conducted no customer polling on this topic.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Please state whether the KP and / or its DSM collaborative gave any consideration to revising the student education program.

- a. If so, please provide complete details.
- b. Has the company considered whether it would be more cost effective to eliminate the student education portion of this program, and instead focus on educating existing adult customers through bill inserts, advertisements, etc.?

RESPONSE

- a. No. The Student Energy Education program is a cost effective DSM program and is not being considered for revision at this time.
- b. Yes. The Company considers the Student Energy Education program to be a cost effective method for educating 7th grade science students, parents, and family of the students, and the teacher/educators in the participating schools. The Company has not considered modifying or eliminating this DSM program. The Company currently offers direct customer education through other DSM programs such as Company-sponsored Community Outreach CFL events and the Targeted Energy Efficiency and Modified Energy Fitness weatherization programs.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Please provide the cost, in dollar amounts per month that each customer pays for existing DSM programs, both for the residential and commercial classes.

- a. Please provide the cost increase from the current year DSM sought to be recovered by the Application and broken down by each DSM program.

RESPONSE

- a.

	Current Monthly Cost to Customer
Residential	\$1.12
Commercial	\$2.20

Residential Program	Monthly Increase in <u>Cost to Customer</u>
TEE	\$0.01
HEHPMH	\$0.01
MHNC	\$0.00
Modified Energy Fitness	\$0.01
HEHP	\$0.01
NEED	\$0.00
CFL	\$0.00
Res Eff Products	\$0.01
HVAC Diagnostic	\$0.00
RLM	\$0.01

Commercial Program	Monthly Increase in <u>Cost to Customer</u>
Smart Audit	\$0.00
Smart Financing	\$0.00
Commercial A/C & HP	\$0.17
HVAC Diagnostic	\$0.09
CLM	\$0.09
Commercial Incentive	\$3.68

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Please provide the cost, in dollar amounts, that each customer would pay in the event the Commission approves all of the new programs and changes to existing programs, both for the residential and commercial classes per month.

RESPONSE

	<u>Proposed Monthly Cost to Customer</u>
Residential	\$1.18
Commercial	\$6.23

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

If KP's DSM charges to its customers will change in any way, please advise whether it offered public notice of the proposed increase in the DSM surcharge.

- a. If so, please provide a copy of the notice provided. If not, please explain why public notice was not offered.

RESPONSE

No, public notice has not been offered in regards to the proposed increase in the DSM Surcharge. According to KRS 278.285, no such notice is required.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Refer to page 18 of the TEE evaluation report, Recommendation 6, and to the Response to KPSC Data Request No. 10, regarding Kentucky Power's consideration of adding another employee to assist with DSM program management. In response to subpart (b), Kentucky Power states: "If KPC were to add an additional employee, the employee's costs would be recovered through base rates."

- a. Explain why Kentucky Power would seek to recover the salary of an additional employee, hired to assist with DSM program management, through base rates instead of through the DSM surcharge.
- b. Would that employee's job requirements be limited to DSM matters, or would it include other matters as well?
- c. Provide legal authority for Kentucky Power's preference to recover this cost through base rates prior to filing a general rate case.
- d. As requested by KPSC Data Request No. 10(b), please provide an estimate of the approximate salary and benefits costs that would be required to add an additional employee to assist with DSM management.

RESPONSE

- a. Since implementing its first DSM program in 1996, Kentucky Power has elected to exclude DSM-related employee costs from the program related costs recovered through the DSM-surcharge. Instead the costs are recovered through base rates. DSM-related employee costs are included in supporting cost-benefit analyses.
- b. The employee's job requirements would primarily be associated with DSM matters.

- c. Kentucky Power recovers through base rates only those employee-related DSM costs approved in the Company's last general rate case.

To the extent the data request seeks the legal basis for Kentucky Power's recovery of employee-related DSM costs through base rates instead of the DSM surcharge, Kentucky Power is not aware of any legal requirement mandating that employee-related DSM costs be recovered through the surcharge. KRS 278.285(2), which provides that costs may be "reviewed and approved by the commission as part of a proceeding for approval of new rate schedules initiated pursuant to KRS 278.190 (the base rate case statute) or in a separate proceeding initiated pursuant to this section anticipates recovery of DSM-related costs, including DSM-related employee costs, through either the DSM-surcharge or base rates.

- d. Depending on employee experience, the salary range including benefits would be approximately \$105,919 to \$133,406.

WITNESS: E.J. Clayton

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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

APPLICATION OF KENTUCKY POWER COMPANY)
FOR COLLABORATIVE DEMAND-SIDE MANAGEMENT)
PROGRAMS AND FOR AUTHORITY TO IMPLEMENT)
A TARIFF TO RECOVER COSTS AND NET LOST)
REVENUES AND RECEIVE INCENTIVES ASSOCIATED)
WITH THE IMPLEMENTATION OF THE KENTUCKY)
POWER COMPANY COLLABORATIVE DEMAND-SIDE)
MANAGEMENT PROGRAMS)

CASE NO.
2011-00300

KENTUCKY POWER COMPANY RESPONSES TO
COMMISSION STAFF'S SECOND SET OF DATA REQUESTS

October 28, 2011

VERIFICATION

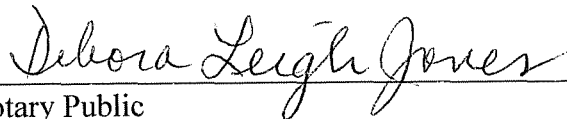
The undersigned, E J Clayton, being duly sworn, deposes and says he is the Manager EE & Consumer Programs, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief



E J Clayton

Kentucky)
) SS
County of Boyd)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by E J Clayton, this the 25th day of October, 2011.

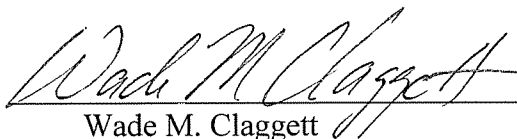


Notary Public

My Commission Expires: 3-20-2012

VERIFICATION

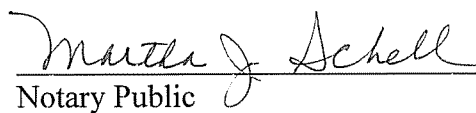
The undersigned, Wade M. Claggett, being duly sworn, deposes and says he is the EE/DR Coordinator, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief



Wade M. Claggett

State of Ohio)
) SS
County of Franklin)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Wade M. Claggett, this the 25th day of October, 2011.



Notary Public

Martha J. Schell
Notary Public, State of Ohio
My Commission Expires **08-21-2012**
My Commission Expires: _____

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Commission Staff's First Information Request ("Staff's First Request"), Item 2. e. It states, "EM&V expenses for AEPSC EE/DR services were charged directly to the applicable DSM programs. AEPSC charges to support Kentucky Power DSM programs in general are recovered through base rates. Through June 30, 2011, the following expenses were directly charged by AEPSC EE/DR for program EM&V services and included with the evaluation category identified with each program in the status report:

Program	*Cost
TEE	\$ 6,922
MHHP	\$ 5,748
MHNC	\$ 6,150
MEF	\$ 4,393
EEFS	\$ 6,081
COCFL	\$ 9,605
HEHP	\$11,849
Total	\$50,748

*Additional EM&V costs were pending and will be recorded for program reporting after June 30, 2011."

- a. Confirm that Kentucky Power is recovering through base rates Demand Side Management ("DSM") program evaluation costs in the amount of \$50,748 on an annual basis.
- b. Explain whether Kentucky Power's position is that only DSM program evaluation costs in excess of \$50,748 should flow through the DSM surcharge factor.
- c. Explain whether Kentucky Power's position is that, in years when no DSM program evaluations are performed, there should be a \$50,748 credit flow through the DSM surcharge factor.

RESPONSE

- a. No. The program evaluation costs of \$50,748 were charged directly to the seven programs and are recovered through the DSM surcharge.
- b. Kentucky Power's position is that all program evaluation costs should flow through the DSM surcharge.
- c. No. If there are no program evaluation costs, then no program evaluation costs are added into the DSM surcharge factor for the upcoming period.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

Refer to the response to Item 14 [Kentucky Power believes the reference is to Item 12] of Staff's First Request.

- a. State whether the HVAC-related field data is in the AEP Customer Information System ("CIS").
- b. If the answer to part a. of this request is no, explain whether Kentucky Power plans to add fields to the CIS for the HVAC-related field data.

RESPONSE

- a. Certain HVAC-related data for DSM participants is in the AEP Customer Information System (CIS).
- b. Kentucky Power does not plan to add additional HVAC-related field data for all customers but will continue to collect certain HVAC-related field data for DSM participants. Currently, the Company is unaware of an effective process for collecting and recording HVAC-related field data for all customers.

WITNESS: E J Clayton

Kentucky Power Company

REQUEST

The application requests approval of a three-year extension, through 2014, of six DSM programs: Targeted Energy Efficiency, Community Outreach CFL, Energy Education for Students, Mobile Home Heat Pump, Mobile Home New Construction, and High Efficiency Heat Pump. The response to Item 36 of Staff's First Request included the lost revenue factor calculations for all residential and commercial programs, except for the Residential and Commercial Load Management and Commercial Incentives programs. It was noted that the calculations were based on the twelve months ending June 30, 2011.

- a. Confirm whether the lost revenue factors for all residential and commercial DSM programs should have been included in the response to Item 36 or if only the factors for the six programs requested to be extended through 2014 should have been included.
- b. If the answer to part a. of this request is only the six residential programs requested to be extended through 2014, confirm that the lost revenue factors for those programs should be the same for the first six months' actual, third quarter, and fourth quarter of 2011, in a manner similar to the calculated kWh impacts and incentives per participant.
- c. If the answer to part b. of this request is yes, confirm that the lost revenue factor, kWh impacts per participant, and the incentive per participant for the remaining programs, excluding the Residential and Commercial Load Management and Commercial Incentive programs, should be based on the assumptions provided in Case No. 2011-00055.
- d. If the answer is yes to parts b. and c. of this request, explain whether that results in the need to file a revised Status Report and revised Exhibit C.

RESPONSE

- a. Yes, it was Kentucky Power's understanding that Staff Request No. 36 sought the lost revenue factors for all residential and commercial DSM programs. Kentucky Power's Response to Staff Request No. 36 provided the lost revenue factor for all such programs, except for the Residential and Commercial Load Management Programs. These are pilot programs, and there currently are no lost revenue factors for these programs.

The original response to Staff Request No. 36 provided the lost revenue factors for all DSM programs for which such information is available in both PDF form and on the CD in Excel with formulas intact and unprotected. The calculation of the lost revenue factor for the Commercial Incentive Program may be found on page 1 of 5 of attachment 2 of the original response.

- b. Not applicable. To the extent a further answer is helpful, the Company disagrees that the lost revenue factors for the six residential programs Kentucky Power seeks to extend through 2014 "should be the same for the first six months actual, third quarter, and fourth quarter 2011, in a manner similar to the calculated kWh impacts and incentives per participant." The first six months actual lost revenues were calculated based on actual billed and accrued kWh and number of customers for the six month-period ending December 31, 2010. The third and fourth quarter 2011 lost revenue factors were (and should be) calculated based on actual billed and accrued kWh and number of customers for the six-month period ending June 30, 2011. The Company believes this method of calculation of the third and fourth quarter 2011 lost revenue factors is consistent with previous filings.
- c. N/A
- d. No revisions are necessary on the Status Report or Exhibit C.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Refer to the response to Item 37.a. of Staff's First Request. Provide an explanation and calculation of the embedded costs to reduce emissions included in the avoided capacity and avoided energy numbers used in the benefit/cost analyses.

RESPONSE

The previous answer to Item 37. a. of the Staff's First Request was not precise. It should have read,

Costs to reduce emissions ~~at KPC plants~~ are embedded in the avoided capacity and avoided energy numbers used in the benefit/cost analyses. Non-monetizable environmental (avoided) costs were not included. ~~The benefit of avoided environmental damage was not considered in the cost-effectiveness evaluations.~~ The societal test would attempt to include such benefits, but they are ~~it is~~ not considered in the four benefit cost tests utilized in the evaluation.

Answering the follow up question:

Market (PJM) prices for capacity and energy were used in the cost benefit tests. Implicit in the market prices are (environmental) allowance costs and any variable O&M associated with environmental compliance; there is no feasible way to disaggregate costs associated with environmental compliance from market prices.

WITNESS: Wade M Claggett

Kentucky Power Company

REQUEST

- a. Provide in electronic format, with formulas intact and unprotected, the spreadsheets and/or workpapers which show how the efficiency incentive amount of \$2,380.66 per participant was calculated for the Commercial Incentives program.
- b. Explain why there was no efficiency incentive proposed in Case No. 2011-00055 for Commercial Incentive program.

RESPONSE

- a. The worksheet providing the calculation of the efficiency incentive for the Commercial Incentive Program was provided in the Commission's First Set of Data Requests, Item 35, Attachment 4 titled "Assumption sheet for new programs July 16, 2010.xls" with formula's intact and unprotected.
- b. There was no efficiency incentive proposed in Case No. 2011-00055 for the Commercial Incentive Program because the program had no participants.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Provide an explanation for why the Targeted Energy Efficiency-Non-Electric program is no longer cost-effective.

RESPONSE

The Non-All-Electric portion of the TEE program is not cost effective because the benefits from the program do not overcome the costs of the program. The benefits are lower than before because of two reasons: the avoided cost of future energy is lower, and less energy is saved at non-all-electric premises. Avoided costs of future energy are lower because of the proliferation of natural gas due to shale discoveries. Less energy is saved, in relation to all-electric premises, because non-all-electric customers have a non-electric heating source: which reduces the potential energy savings from a weatherization program. The 2009-2010 evaluation billing analysis shows 873 kWh savings per non-all-electric participant; this is less than the 2006-2007 evaluation's estimated impact of 1,136 kWh per non-all-electric participant.

WITNESS: Wade M Claggett