

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER)
COMPANY TO AMEND ITS DEMAND- SIDE)
MANAGEMENT PROGRAM AND FOR)
AUTHORITY TO IMPLEMENT A TARIFF TO)
RECOVER COSTS AND NET LOST REVENUES) CASE NO. 2012-00367
AND TO RECEIVE INCENTIVES)
ASSOCIATED WITH THE)
IMPLEMENTATION OF THE PROGRAMS)

ATTORNEY GENERAL'S
RESPONSE TO KENTUCKY POWER COMPANY'S
CORRECTED MOTION TO AMEND APPLICATION &
FINAL COMMENTS THEREON

Pursuant to 807 KAR 5:001 Section 5(2), the Attorney General, by and through his Office of Rate Intervention, files his response to Kentucky Power Company's ("KPCo") Motion to Amend its Application, filed on January 28, 2012. In the interest of expediency, the Attorney General includes herein his final comments regarding KPCo's demand-side management ("DSM") application as amended.

A. RESPONSE

In response to KPCo's Motion to Amend its Application, the Attorney General states as follows:

1. The Attorney General has no objection to KPCo's proposal to withdraw and delete its request that the Pilot Residential and Small Commercial Load

Management Program (“Pilot RCLM Program”) be extended for a period of one (1) year.

2. The Attorney General has no objection to KPCo’s proposal to maintain the currently tariffed DSM adjustment factors of \$0.000826 (residential) and \$0.000538 (commercial) in lieu of applying the higher DSM adjustment factors as proposed in KPCo’s application. The Attorney General recognizes that doing so will delay until KPCo’s next DSM case the proposed “true-up” of the 2012 DSM expenses, including but not necessarily limited to the \$508,711 alleged under-collection during the first half of 2012. However, the Attorney General reserves his right to intervene and fully participate in a future DSM application, which will seek to “true-up” these expenses and is anticipated by KPCo to increase the DSM factor.¹
3. The Attorney General has no objection to KPCo’s requested extension of time to continue DSM incentive payments to currently participating customers until the earlier of removal of the equipment or February 28, 2013, as detailed in paragraph 7(b) and 8 of KPCo’s Motion to Amend.
4. The Attorney General has no objection to KPCo’s requested extension of time to and including April 15, 2013 in which to file its next DSM Status Report.

¹ In response to the AG’s Supplemental Data Requests, AG 2-1(a), KPCo stated that “[t]he \$508,711 under-collection during the first half of 2012 accounts for approximately one-third of the 146% increase to residential customers,” as proposed in KPCo’s original application. The AG recognizes that under KRS 278.285 KPCo is entitled to recover the costs of Commission-approved DSM programs and lost revenues. However, oversight of this true-up mechanism is retained by the Commission, which may elect to scrutinize the reasonableness of DSM expenses in a future proceeding.

B. COMMENTS

The Attorney General expresses concern that two (2) of the five (5) programs for which KPCo originally sought an extension were evaluated to be not currently cost-effective - (1) the Pilot RCLM Program, which has been withdrawn by amendment and (2) the Commercial Incentive Program, which has fallen short of the 88 projects per year to achieve cost-effectiveness. The other programs, though deemed cost-effective, met with a qualified degree of resistance from some Collaborative members, since they would result in a significant increase to the residential and commercial surcharges.²

Pursuant to KRS 278.285(1) the factors to be considered in determining the reasonableness of a DSM plan, and by analogy the reasonableness of continuing such a program, include whether the plan is cost-effective (subsection (1)(c)); the extent of collaboration and the amount of stakeholder support expressed for the plan, though unanimity is not required (subsection (1)(f)); and the extent to which the programs offered are “available, affordable, and useful to all customers” (subsection (1)(g)). In its preliminary review of the Pilot RCLM Program, for example, the Attorney General found the program lacking under all three (3) of the foregoing factors. While the Attorney General supports efforts by utilities to manage load among other DSM and energy efficiency efforts, the KPCo RCLM pilot program has yet to demonstrate cost-effectiveness. Additionally, as detailed by the program evaluation, there were initial

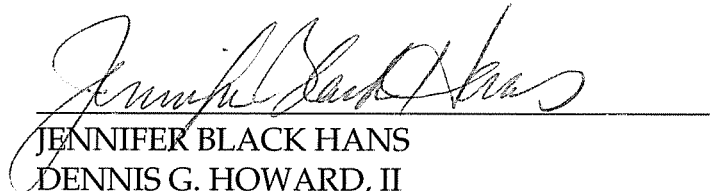
² See KPCo Response to AG 1-1, detailing a 146% increase to the DSM surcharge for the average residential customer and a 67% increase to the DSM surcharge for the average commercial customer, and to AG 2-1, explaining that the five (5) programs for which extension was originally sought account for 64% of the proposed increase to the residential DSM surcharge and 100% of the proposed increase to the commercial DSM surcharge.

technological barriers that diminished the availability and usefulness of the RCLM program.³

Regarding the remainder of the current application, the Attorney General defers to the Commission regarding whether to approve the continuance of other programs not deemed cost-effective at this time. However, in light of an anticipated increase in the DSM surcharge approaching 150% more than currently paid by residential customers and 70% more than currently paid by commercial customers, KPCo should be prepared to affirmatively and definitively demonstrate the value of the energy savings resulting from, or anticipated to result from, ratepayer investment.

Respectfully submitted,

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ATTORNEY GENERAL



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³ See KPCo Status Report, Section IV, *AES Kentucky Power Company's Load Management Pilot Program Evaluation*, Executive Summary at p. v. "The load management technology can only be utilized within a network that carries the Verizon Wireless signal." See also KPCo Response to AG 1-9. Although later-installed, modified meters were capable of working with other wireless providers, the technological barrier initially presented by Consert may have limited the first round of participation in this pilot.


Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

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this 30 day of January, 2013



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