

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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,)	CASE NO.
AND TO RECEIVE INCENTIVES ASSOCIATED)	2022-00392
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)	

ORDER

On November 15, 2022, Kentucky Power Company (Kentucky Power) filed an application, pursuant to KRS 278.285(1), for approval to continue its Targeted Energy Efficiency (TEE) Program through December 31, 2023, and the authority to recover its full costs, including lost revenues and incentives, associated with Kentucky Power's TEE Program through its Demand-Side Management Adjustment Clause (Tariff Sheets 22-1 and 22-2). Kentucky Power requests approval for adjustments to its residential and commercial DSM factors and the authority to defer and establish a regulatory asset or regulatory liability in the amount of any final DSM program under- or over-recovery resulting from Kentucky Power's recovery of costs to perform a Market Potential Study (MPS). The MPS was approved by the Commission in Case No. 2021-00420.¹ Finally,

¹ Case 2021-00420, *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*

Kentucky Power is requesting that the Commission accept its annual DSM Status Report and grant all other required approvals and relief.

There are no intervenors, and Kentucky Power responded to one request for information. The matter is submitted to the Commission for a decision based upon the evidentiary record.

LEGAL STANDARD

KRS 278.285(1) authorizes the Commission to review and approve the reasonableness of DSM programs proposed by any utility under its jurisdiction. The statute lists multiple factors the Commission can consider when determining the reasonableness of the DSM programs. The listed factors in KRS 278.285(1) are:

- (a) The specific changes in customers' consumption patterns which a utility is attempting to influence;
- (b) The cost and benefit analysis and other justification for specific demand-side management programs and measures included in a utility's proposed plan;
- (c) A utility's proposal to recover in rates the full costs of demand-side management programs, any net revenues lost due to reduced sales resulting from demand-side management programs, and incentives designed to provide positive financial rewards to a utility to encourage implementation of cost effective demand-side management programs;
- (d) Whether a utility's proposed demand-side management programs are consistent with its most recent long-range integrated resource plan;
- (e) Whether the plan results in any unreasonable prejudice or disadvantage to any class of customers;
- (f) The extent to which customer representatives and the Office of the Attorney General have been involved in developing the

Study; and (5) All Other Required Approvals and Relief Order (Ky. P.S.C. December 27, 2021), at 8, ordering paragraph 5.

plan, including program design, cost recovery mechanisms, and financial incentives, and if involved, the amount of support for the plan by each participant, provided however, that unanimity among the participants developing the plan shall not be required for the commission to approve the plan;

- (g) The extent to which the plan provides programs which are available, affordable, and useful to all customers; and
- (h) Next-generation residential utility meters that can provide residents with amount of current utility usage, its cost, and can be capable of being read by the utility either remotely or from the exterior of the home.

KRS 278.285(1) also states the factors listed are not exhaustive, the Commission can consider anything that will help determine if the programs are reasonable.

KENTUCKY POWER DSM PROGRAMS

Kentucky Power currently offers only one DSM program as a result of the Commission-initiated investigation into the reasonableness of Kentucky Power's DSM programs in Case No. 2017-00097.² In that case, the Commission ordered the elimination of all offerings except for those programs that target income-eligible residential customers until Kentucky Power's capacity position indicates a need for additional generation to serve its load.³ Consistent with the final Order in Case No. 2021-00420,⁴ Kentucky Power's current DSM portfolio consists of only the residential TEE program. Administered through community action agencies (CAA) in Kentucky Power's service area and as a supplement to the state Weatherization Assistance Program,⁵ the TEE program is

² Case No. 2017-00097, *Electronic Investigation of the Reasonableness of the Demand Side Management Programs and Rates of Kentucky Power Company* (Ky. PSC Jan. 18, 2018).

³ Case No. 2017-00097 (Ky. PSC Jan. 18, 2018), Order at 15.

⁴ Case No. 2021-00420 (Ky. PSC Dec. 27, 2021).

⁵ Direct Testimony of Scott Bishop (Bishop Direct Testimony) at 3.

designed to improve energy efficiency for low-income customers through energy audits coupled with the installation of various energy conservation measures.⁶ The TEE program is available to Kentucky Power customers whose primary heat source is electricity and who use an average of at least 700 kWh per month. In addition, limited efficiency measures are available to Kentucky Power customers whose primary heat source is not electric but who have electric water heaters and use an average of at least 700 kWh of electricity per month from November through March. Kentucky Power does not seek to increase its TEE Program's budget or participant count, and instead proposed for them to remain unchanged at their current levels of \$281,000 and 98 participants in 2023.⁷

PROPOSED DSM FACTORS

Kentucky Power requested an increase in the residential surcharge factor and a re-introduction of the commercial surcharge factor in order to recover the cost of the Market Potential Study (MPS) currently being performed, discussed in more detail in the next section.⁸

Kentucky Power proposed to increase the residential DSM surcharge factor from \$0.000139 per kWh to \$0.000247 per kWh.⁹ In 2022, the average residential customer using 1,300 kWh per month received a monthly DSM charge of \$0.18.¹⁰ The new

⁶ Bishop Direct Testimony at 5.

⁷ Application at 4, Bishop Direct Testimony at 6.

⁸ Case 2021-00420 (Ky. PSC Dec. 27, 2021), Order at 8, ordering paragraph 5.

⁹ Application at 5, paragraph 15.

¹⁰ Application at 5, paragraph 17; see *also* Application, Exhibit 5 provided as a separate Excel format document.

proposed rate results in a \$0.32 monthly charge to the same customer.¹¹ This is an increase of \$0.14 per customer per month.¹²

Kentucky Power also proposed to re-introduce the commercial surcharge factor from zero to \$0.000126.¹³ In Case No. 2021-00420,¹⁴ Kentucky Power estimated a slight over-recovery at the end of 2021 for the commercial DSM balance and the Commission authorized Kentucky Power to eliminate its commercial DSM surcharge and defer the amount to be trued-up as a regulatory asset.¹⁵ Kentucky Power proposes to subtract the true-up amount (\$3,681.99) from the amount proposed to be collected from the commercial class customers in 2023.¹⁶

MARKET POTENTIAL STUDY UPDATE

Kentucky Power issued a request for proposals (RFP) to conduct the MPS in early 2022.¹⁷ The Company received six proposals from different vendors and ultimately selected GDS Associates, Inc. (GDS).¹⁸ Kentucky Power contracted with GDS in August

¹¹ Application at 5, paragraph 17.

¹² Application at 5, paragraph 17.

¹³ Application at 5, paragraph 15; see also Application, Exhibit 5 provided as a separate Excel format document.

¹⁴ Case No. 2021-00420, *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* (Ky. PSC Dec. 27, 2021).

¹⁵ Case 2021-00420 (Ky. PSC Dec. 27, 2021), Order at 8, ordering paragraph 4.

¹⁶ Application at 8, paragraph 28.

¹⁷ Bishop Direct Testimony at 5.

¹⁸ Bishop Direct Testimony at 5.

2022.¹⁹ The MPS is anticipated to be completed in April 2023.²⁰ Kentucky Power anticipates it will start receiving invoices for work completed by GDS on the MPS in early December 2022.²¹

Kentucky Power proposed to recover the contract amount to perform the MPS (\$371,150) equally (50/50) from the residential and commercial customer classes pursuant to the recommendation of the MPS consultant.²² Kentucky power intends to include those allocations in the residential and commercial customer surcharge factors and implement a true-up mechanism in its November 2023 DSM filings.²³ Additionally, Kentucky Power proposed to defer any final under- or over-recovery of the costs to perform the MPS until its 2023 annual DSM filing (for the 2023 calendar year) and establish a regulatory asset or liability directly related to the MPS costs as needed.²⁴

DISCUSSION

The Commission has reviewed the proposed modification to the TEE Program and finds that the modifications are reasonable based on the factors in KRS 278.285(1). Therefore, Kentucky Power's request for the continuation of the TEE program through December 31, 2023, should be granted. Additionally, Kentucky Power's proposed DSM surcharge factor of \$0.000247 per kWh for residential customers is reasonable for the

¹⁹ Bishop Direct Testimony at 5.

²⁰ Bishop Direct Testimony at 5.

²¹ Bishop Direct Testimony at 5.

²² Application at 6, paragraph 18.

²³ Application at 6, Bishop Direct Testimony at 5.

²⁴ Application at 6, paragraph 19.

recovery of the full costs of the DSM programs, including net revenues lost due to reduced sales resulting from DSM programs.

Additionally, Kentucky Power's request to increase the commercial customer DSM is reasonable. The Commission also finds that Kentucky Power's proposed DSM surcharge factor of \$0.000126 for commercial customers is reasonable for the recovery of the full costs of the DSM programs, including net revenues lost due to reduced sales resulting from DSM programs.

Kentucky Power is to file the total under- or over-recovery that will be recorded as a regulatory asset or regulatory liability once the total is determined. Kentucky Power is to file the total under- or over-recovery with respect to the costs to perform the MPS in its 2023 annual DSM filing.

In Case No. 2017-00097, the Commission directed Kentucky Power to "eliminate offering any DSM programs, other than those programs that target income eligible residential customers, until there is a change in Kentucky Power's capacity position that indicates a need for additional generation to serve its load." With the December 7, 2022, expiration of the Rockport Unit Power Agreement (UPA), Kentucky Power requires additional capacity in the form of additional generation or contract capacity. The MPS will assist Kentucky Power in identifying DSM and energy efficiency programs for both residential and commercial-industrial customers that are cost-effective and avoid more expensive supply-side resources. The Commission encourages Kentucky Power to aggressively pursue all reasonable cost-effective DSM programs given the high-avoided capacity costs that will occur now that the Rockport UPA has expired. The Commission

also finds that Kentucky Power has kept the Commission informed of the progress and status of its DSM programs by filing timely summary status reports.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's request to continue the TEE program through December 31, 2023, is approved.

2. Kentucky Power's proposed surcharge factor for the residential customers is approved.

3. Kentucky Power's proposed commercial DSM factor is approved.

4. Kentucky Power shall continue to file monthly updates on the TEE programs.

5. Kentucky Power shall file the final market study provided by the GDS consultants referencing this case number.

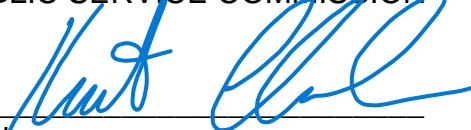
6. Kentucky Power's request to defer and establish a regulatory asset or regulatory liability in the amount of the under- or over-recovery of the costs to perform the MPS is approved. The total under- or over-recovery included in this regulatory asset or regulatory liability shall be filed in the post-case correspondence file in this case.

7. The surcharge factors set forth in the Appendix to this Order are approved for service rendered on and after January 1, 2023.

8. Within 20 days of the date of service of this Order, Kentucky power shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariffs as set forth in this Order reflecting that they were approved pursuant of this Order.

9. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

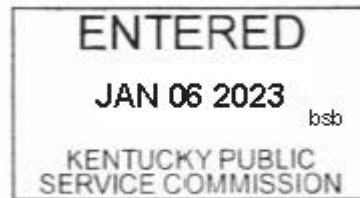


Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00392 DATED JAN 06 2023

The following rates and charges are prescribed for the customers served by Kentucky Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission period to the effective date of this Order.

TARIFF D.S.M.C.

Residential	\$ 0.000247 per kWh
Commercial	\$ 0.000126 per kWh

*Hector Garcia
Kentucky Power Company
1645 Winchester Avenue
Ashland, KY 41101

*Kentucky Power Company
1645 Winchester Avenue
Ashland, KY 41101

*Katie M Glass
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KENTUCKY 40602-0634