

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)	2023-00362
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, 2023, 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, 2024; the authority to recover its full costs, including lost revenues and incentives, associated with Kentucky Power's TEE Program through its Demand-Side Management (DSM) Adjustment Clause (Tariff Sheets 22-1 and 22-2), the recovery of the costs of the Market Potential Study (MPS) as previously approved by the Commission in Case No. 2021-00420¹, and accept its annual DSM Status Report; and grant all other required approvals and relief. There are no

¹ 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), Order at 8, ordering paragraph 5.

intervenors, and 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 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, and the Commission can consider anything that will help determine whether the programs are reasonable.

KENTUCKY POWER DSM PROGRAMS

Kentucky Power currently offers 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 a program that targets 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 the residential TEE program. Kentucky Power's TEE program provides weatherization and energy efficiency services to qualifying low-income

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, *Electronic Investigation of the Reasonableness of the Demand Side Management Programs and Rates of Kentucky Power Company* (Ky. PSC Jan. 18, 2018), Order at 15.

⁴ 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 Study; and (5) All Other Required Approvals and Relief* (Ky. PSC Dec. 27, 2021), Order.

residential customers who need help reducing their energy bills.⁵ Kentucky Power collaborates with local community action agencies in its service area and the TEE program serves as a supplement to the state Weatherization Assistance Program.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.⁷

PROPOSED DSM CHANGES

Kentucky Power proposed to increase its TEE Program's budget from its current level of \$281,000 to \$299,500 in 2024.⁸ Kentucky Power stated that the requested budget will allow for 94 participants in the program in 2024 as compared to the 2023 budget, which allowed 98 participants.⁹ Kentucky Power stated that it is reallocating the TEE funds between heat pump to heat pump exchanges and central furnace to heat pump exchanges based on the 2023 demand and that through September 2023 there were 53 central furnace to heat pump exchanges and zero heat pump to heat pump exchanges.¹⁰ Kentucky Power also proposed to reduce the number of heat pump to heat pump exchanges while keeping the number of central furnaces to heat pump exchanges at the

⁵ Direct Testimony of Scott E. Bishop (Bishop Direct Testimony) at 3–4.

⁶ Bishop Direct Testimony at 4.

⁷ Bishop Direct Testimony at 4.

⁸ Application at 4.

⁹ Application at 4.

¹⁰ Application at 4.

2023 level.¹¹ Therefore, Kentucky Power proposed to decrease the heat pump to heat pump exchanges from five to three and keep the status quo of 60 exchanges on the central furnace to heat pump exchange while also increasing the heat pump to heat pump exchange payment from \$1,600 to \$2,500 and increase the central furnace to heat pump exchange payment from \$2,600 to \$3,000.¹²

Kentucky Power proposed to decrease the residential DSM surcharge factor from \$0.000247 per kWh to \$0.000149 per kWh. Kentucky Power stated that in 2023, the average residential customer using 1,300 kWh per month received a monthly DSM charge of \$0.32 and that the new proposed rate results in a \$0.19 monthly charge.¹³ Kentucky Power also proposed to decrease the commercial surcharge factor from \$0.000126 per kWh to a credit of (\$0.000016) per kWh, which Kentucky Power noted is a decrease of 13 cents per customer per month.¹⁴ Kentucky Power explained that the proposed decrease to the residential and commercial surcharge factors is a result of the true-up of the costs of the MPS recovered through the 2023 DSM surcharge, which the Commission approved in Case No. 2022-00392.¹⁵ Kentucky Power clarified that the original amount of the contract was \$371,150.00 and that it has paid a total of \$220,000.⁸²

¹¹ Application at 4.

¹² Application at 4–5.

¹³ Application at 5.

¹⁴ Application at 5.

¹⁵ Case No. 2022-00392, *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; and (4) All other Required Approvals and Relief* (Ky. PSC Jan. 6, 2023), Order.

through September 2023.¹⁶ Kentucky Power stated that it has received a final invoice of \$26,544.54, which implies that Kentucky Power will finish below the initial contract price for the MPS by \$124,604.64.¹⁷ Additionally, Kentucky Power has stated that in Case No. 2023-00159, it has agreed to file a proposal with the Commission to establish a new portfolio of DSM/EE programs by May 1, 2024.¹⁸

DISCUSSION AND FINDINGS

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, 2024, should be granted. Additionally, Kentucky Power's proposed DSM surcharge factor of \$0.000149 per kWh for residential 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.

Additionally, the Commission finds that Kentucky Power's proposed DSM surcharge credit of (\$0.000016) per kWh 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.

¹⁶ Bishop Direct Testimony at 7.

¹⁷ Bishop Direct Testimony at 7.

¹⁸ See Case No. 2023-00159, *Electronic Application of Kentucky Power Company for (1) a General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) A Securitization Financing Order; And (5) All other Required Approvals and Relief* (Ky. PSC Nov. 20, 2023), Testimony of Brian West at 22.

The Commission notes that in Case No. 2017-00097,¹⁹ 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.” Considering that on December 7, 2022, the Rockport Unit Power Agreement (UPA) expired and that Kentucky Power stated in its 2023 rate case and 2023 Integrated Resource Plan that its “interest in Mitchell will terminate in 2028,”²⁰ Kentucky Power will require additional capacity in the form of additional generation or contract capacity. The Commission notes that the MPS will assist Kentucky Power in identifying DSM and energy efficiency (EE) programs for residential, commercial, and industrial customers that are cost-effective and avoid more expensive supply-side resources. The Commission has an expectation that Kentucky Power will utilize and observe the results from the MPS to aggressively pursue all reasonable cost-effective DSM programs given the high-avoided capacity costs with the Rockport UPA expiration as well as Kentucky Power’s statement regarding its undivided 50 percent interest terminating in Mitchell.

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.


¹⁹ 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), Order.

²⁰ See Case No. 2023-00159, *Electronic Application of Kentucky Power Company for (1) a General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) A Securitization Financing Order; And (5) All other Required Approvals and Relief* (Ky. PSC June 29, 2023), Direct Testimony of Timothy Kerns at 7–8. See also Case No. 2023-00092, *Electronic 2023 Integrated Resource Planning Report of Kentucky Power Company* (Ky. PSC Mar. 20, 2023).

IT IS THEREFORE ORDERED that:

1. Kentucky Power's request to continue the TEE program through December 31, 2024, with the proposed modifications is approved.
2. Kentucky Power's proposed DSM surcharge factor for the residential customers is approved.
3. Kentucky Power's proposed DSM surcharge factor for commercial customers is approved.
4. Kentucky Power shall continue to file annual updates on the TEE program on November 15 of each year.
5. The surcharge factors set forth in the Appendix to this Order are approved for service rendered on and after January 1, 2024.
6. 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.
7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner

ENTERED
DEC 15 2023
KENTUCKY PUBLIC SERVICE COMMISSION ^{rCS}

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00362 DATED DEC 15 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	\$0.000149 per kWh
Commercial	(\$0.000016) per kWh

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