

upon written request to the Commission; no private environmental groups have participated as intervenors.

The information included in the IRP is similar to information included in utilities' CPCN applications, which are required before new generation and transmission can be installed. While the IRPs are informal and separate from the actual applications, it is customary for new installations and proposed DSM activities to appear in a utility's IRP prior to the CPCN applications, and the project information included in the IRPs helps to support the utility's proposed projects. The regulation governing IRP was written specifically to keep the processes separate, with IRP remaining an informal, long-range, scheduled process, while the certificate application process is formal, but used for specific projects and only on an as-needed basis.

In addition to informing the Commission about proposed installations, the IRPs also inform the Commission about upcoming DSM filings and environmental compliance activities.³ Projects in both of these areas are eligible for cost recovery, although, as with the CPCN applications, approval of projects occurs in formal proceedings that are separate from the IRP.

The IRP is reviewed by Commission staff, who produce a written critique of the plan, which provides recommendations to the utility for its next scheduled IRP. The report also addresses any issues raised by intervenors and is used to guide the next IRP.

4. Is it statewide or utility-specific planning? What types of entities are required to participate?

Each utility files a separate plan. Prior to the 1995 revisions to the regulation, the utilities' plans were filed at the same time and the Commission staff was required to put together a statewide perspective report. The perspective report is no longer done, and the utilities' filings are now staggered at different times throughout the three-year cycle. Municipal utilities that are not jurisdictional to the Commission are not required to participate in the process.

5. Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?

Other filings generally reference the IRP, and information in the IRP may be used to support other filings, but their inclusion in the IRP doesn't give rise to any other process. However, PSC staff comments on the IRP give utilities an indication of concerns that might arise in CPCN proceedings.

6. This form of planning has been required since what date?

The basic process was begun in 1990; the process was revised in 1995.

³ Kentucky statute allows for utilities to recover their costs for environmental compliance via an environmental surcharge. Recovery is ensured by submitting an Environmental Compliance Plan to the Commission.

7. How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?

The utility is required by law to file an IRP with PSC; failure to file, or failure to provide complete information, could result in fines or legal action. However, because the IRP is separate from the formal certificate process, there is no requirement that the CPCN filings be in compliance with the IRP and no consequences for divergence from the plans.

8. Is anything similar required for natural gas-related planning? Yes No

Required Elements

9. Back to IRP (the electric resource process). Which of the following resources must be explicitly evaluated/included:

Generation

Transmission

Distribution

Energy efficiency

Load Management

Other demand side measures

Specific generation (e.g. renewable, distributed)

Others There is a broad consideration of supply & demand side options. Review of transmission is fairly minor. There is also a review of environmental compliance issues. Renewable energy and distributed generation are not required to be included, but can be considered to the extent that they are part of the utility's resource mix.

What tests must be included/utilized?

It is expected (but not required) that the participant test, the total resource cost test, the utility cost test, the rate impact measure, and the societal cost test will all be used when evaluating DSM options. Other than that, the mix of resources is analyzed in order to arrive at the "optimal" IRP -- one which results in the lowest present value revenue requirement.

10. Describe the analysis required by the regulatory body (what is compared to what to make decision? How are resources compared to each other? Cost with one set of resources vs another, economic, environmental?)

Resources are compared to find out which has the lowest reasonable cost. Generally, once a set of cost-effective DSM measures have been selected, they are integrated into the supply-side resource plan. If the addition of a DSM measure reduces the overall present value revenue requirement, the measure will be included. The goal is to select the

overall mix of resources that meets the demands of the system at the lowest reasonable cost while complying with applicable environmental regulations.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

There is some uncertainty analysis regarding fuel risks, but Kentucky is a state that relies largely on coal, with a small amount of reliance on natural gas for peak generation, so the significance of price risk analysis is relatively low.

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? Yes No Demand side options and T&D improvements are compared with supply side options in an integrated way. When demand side options and transmission upgrades may be able to delay or eliminate the need for incremental supply, they are compared in order to find the resource mix that produces the lowest overall revenue requirements while meeting the needs of the system.

13. The plan's objectives, from the regulatory perspective:

To keep the staff and, indirectly, the Commission, informed about utilities' plans. Before the IRP planning process began 15 years ago, the Commission was sometimes unaware of plans until a CPCN application was received. With IRP, the Commission is more aware of what is being planned, and demand side aspects are emphasized.

14. The plan's objectives, from the utility perspective:

To meet the requirements of the Commission's IRP regulation and gauge the staff's views of likely resource proposals.

15. Are alternative scenarios analyzed as part of the plan? Yes No

Regulation requires that high, medium, and low forecasts are used. These forecasts typically include varying expectations regarding fuel costs, capital costs, economic conditions, and weather.

Are externalities considered? If so, which ones and how are they considered?

No. From the standpoint of the Commission, its legislative mandate applies to the utilities' rates and service. The Commission is responsible for seeing that utilities comply with PSC administrative regulations, but externalities are not part of the Commission's jurisdiction and aren't considered.

16. What is the planning horizon? 15 years

Length of Energy and Demand forecasts The Commission requires 15-year forecasts, but some utilities choose to provide longer forecasts.

Length of Short-term Action Plan none

17. How often do utilities have to file plans? Update plans? What actually happens?

Plans are filed every 3 years. There is no interim reporting requirement, although PSC staff have directed utilities to provide additional information on specific topics on an as-needed basis. With a few exceptions, filings have generally been timely.

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

There is no monitoring, but plans are referenced when CPCN applications are filed.

19. Are environmental issues considered in the planning process? Yes No
If yes, please describe.

Compliance with environmental law is an aspect of the plans. There are also separate, formal proceedings that detail each utility's environmental compliance plan, the costs of the plan and recovery of the costs via an environmental surcharge.

20. Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?

Not explicitly, although the issue has been brought up recently by intervenors, and PSC staff have recommended that utilities address this issue in their next IRP filings.

Agency Process

21. Is there a formal acceptance and/or acknowledgement process used for the resource filing? Yes No There is no formal acceptance process, but plans are acknowledged and reviewed by PSC staff.

22. Does the agency hold public hearings on draft/final utility plans? Yes No
If not, describe what does happen. Informal conferences are held, with opportunities for intervenors to participate. There are generally two rounds of formal discovery conducted by Commission staff and intervenors, followed by the informal conferences. After that, intervenors may submit written comments to which the utilities will respond. The process ends with a written critique of the plan by PSC staff.

23. Other ways the public participates and comments on plans are:

The public is welcome to file comments as part of the process, but because the process is informal and there is no official Commission decision, it doesn't get much attention from the public. The utilities are not required to notify the public when the IRP is filed. The CPCN process, which is formal, garners more public scrutiny.

24. What action can the Commission take on the plan(s)?
Review it
Accept it
Approve it
Reject it
Acknowledge it
Require utility to modify and resubmit it
Other The Commission as a body doesn't have any role in the IRP process; it's strictly a review by the PSC staff, resulting in a staff report.
25. Have resource acquisition decisions changed as a result of the planning process?
Yes No Unknown. There have been instances where there has been some change in plans between the time the IRP is filed and the time the CPCN application is received, but the staff is unsure of the cause of such events.
26. Are competitive processes used to acquire new resources? Yes No
27. If yes, do you require regulatory review and approval of the competitive solicitations used? Review and approval of competitive solicitations is part of the CPCN application process.
28. Do utilities file an energy efficiency or DSM plan? Yes No
If so, is it separate or integrated with other plans? The process is separate. Kentucky has a statute that allows for cost recovery of DSM programs through a DSM surcharge. Both DSM plans and cost recovery generally occur outside of the general rate case.
29. Is competitive bidding used to acquire EE resources? Yes No
Competitive bidding isn't required, but it may be used, depending on the type of DSM measure.
30. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? Yes No
31. Citation and description:
Administrative Case No. 2005-00090 is open right now. The case was opened in response to an executive order from the Governor to look at developing a long term blueprint for Kentucky's energy infrastructure. The case won't look at any new investment, but the Commission's response will inform the state's long-term direction.
32. Are utility plans available on-line? Yes No Historically this hasn't been done, but this may change in the future. Plans are available upon request.
33. Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:

KY Administrative Regulation 807 KAR 5:058

34. Do you anticipate any changes to this process in the near future? Yes No
If yes, please describe.

There are no changes anticipated at this point. There have been suggestions to make the process formal, but that change is unlikely to occur.

35. Does your state do performance-based regulation? Yes No
If so, please describe briefly.

Some PBR is done on a case by case basis, when a specific outcome is desired, but this is not a common approach in Kentucky.

36. If your state uses PBR, is successful compliance with an approved resource plan one of the areas subject to incentives or penalties? Yes No

37. Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables? Yes No (Examples: lost revenue recovery, shared savings, bonus rate of return) If so, please describe briefly.

As part of the DSM surcharge that funds DSM programs, cost recovery is allowed for lost revenues, and there are shareholder incentives as well.

38. Do any tariffs include a fuel/purchased power clause? Yes No
If so, how does it work?

All of the electric utilities can have a fuel adjustment clause as part of their tariffs, although, at present, one IOU and one cooperative do not have a fuel adjustment clause. Purchases in which the purchase cost is lower than the cost of the utilities' own power generation are covered by the fuel adjustment clause, as is the fuel cost of baseload energy. When cost savings occur, 100% of the cost savings goes to ratepayers. Fuel-related risks are also borne by ratepayers. The fuel clause is adjusted monthly.

39. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)? Yes No

State Energy Plan

40. Is there a State Energy Plan? Yes No
41. Is it connected to the planning described above? Yes No
42. If yes, who is responsible for the Plan?

Currently, there is no state energy plan. However, a state Energy Policy is being developed. The Commission is investigating issues related to long-term energy planning in Case No. 2005-00090. The findings from this case, along with other information, will be considered by the Governor's Office of Energy Policy in developing the long-term Energy Policy. A preliminary report on this process is available from the Governor's website. The major focus is likely to be electricity and infrastructure, but might include gas as well.

43. What is included in the Plan, apropos of long-range electrical planning?

The plan is in development.