COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY FOR APPROVAL OF A SCHOOL ENERGY MANAGER PROGRAM AND FOR ALL OTHER REQUIRED APPROVALS AND RELIEF	))))	CASE NO. 2014-00178

ORDER

On May 30, 2014, Kentucky Power Company ("Kentucky Power") filed an application seeking approval of its proposed School Energy Management Program ("Program") and of a declaration that the Program complies with the terms of, and fulfills Kentucky Power's obligations under, paragraph 12 of the non-unanimous Stipulation and Settlement Agreement ("Agreement") as modified and approved by the Commission in Case No. 2012-00578,[1] and also requesting that all other required reliefs or approvals be granted.

BACKGROUND

On July 2, 2013, Kentucky Power, Kentucky Industrial Utility Customers, Inc., and the Sierra Club[2] entered into the non-unanimous Agreement in Case No. 2012-

[1] Case No. 2012-00578, Application of Kentucky Power Company for (1) a Certificate of Public Convenience and Necessity Authorizing the Transfer to the Company of an Undivided Fifty Percent Interest in the Mitchell Generating Station and Associated Assets; (2) Approval of the Assumption by Kentucky Power of Certain Liabilities in Connection with the Transfer of the Mitchell Generating Station; (3) Declaratory Rulings; (4) Deferral of Costs Incurred in Connection with the Company's Efforts to Meet Federal Clean Air Act and Related Requirements; and (5) All Other Required Approvals and Relief (Ky. PSC Oct. 7, 2013).

[2] The Sierra Club intervention consisted of the environmental organization and three individual members, Alexander DeSha, Tom Vierheller, and Beverly May, who are residential customers of Kentucky Power.

00578.[3] Paragraph 12 of that Agreement provides in relevant part:

> [Kentucky Power] agrees to institute a new two-year Demand-Side Management ("DSM") program to help fund energy management programs for schools affected by KRS 160.325. The annual DSM funding level for this program will be $75,000 in 2014 and $50,000 in 2015.[4]

On October 7, 2013, the Commission issued an Order in Case No. 2012-00578[5] approving, with four modifications,[6] the terms and conditions of the Agreement. The four modifications were summarized in Appendix B to the October 7, 2013 Order. In particular, paragraph 3 of Appendix B provides:

> That portion of Paragraph 12 of the Stipulation dealing with Kentucky Power's commitment to contribute shareholder funds to assist energy management programs for schools affected by KRS 160.325 shall be modified to make clear that Kentucky Power's shareholder contribution would be incremental funding for the school energy manager program, which could be for new school energy manager(s) or additional funds for existing school managers, and that the funding would be limited to those schools in Lawrence and contiguous counties impacted by KRS 160.325.[7]

On October 14, 2013, Kentucky Power filed its acceptance of the four modifications to the Agreement set forth in Appendix B of the Order in Case No. 2012-00578, including the modification limiting the shareholder funding for the Program to

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[3] Case No. 2012-00578 (Stipulation and Settlement Agreement filed July 5, 2013). The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), was also an intervenor in Case No. 2012-00578, but the AG was not a signatory to the Agreement.

[4] *Id.*

[5] *Id.*, Order (Ky. PSC Oct. 7, 2013).

[6] *Id.*, Order, Appendix B (Ky. PSC Oct. 7, 2013).

[7] *Id.*

schools in Lawrence County and those counties contiguous to Lawrence County.[8]

PROPOSED SCHOOL ENERGY MANAGEMENT PROGRAM

The Program is proposed as a commercial demand-side management ("DSM") program and will provide energy management services to the eight eligible school districts located in Kentucky Power's service territory in Lawrence and its contiguous Kentucky counties.[9] The Program will be administered through the Kentucky School Boards Association ("KSBA"). The Program will assist the eight eligible districts in implementing, in a more timely manner than would otherwise have occurred, energy management measures that will improve energy efficiency through behavioral changes and better utilize automation measures.[10]

The KSBA will manage the Program in accordance with the Energy Manager Program Agreement ("Program Agreement")[11] between Kentucky Power and KSBA. As part of its obligations under the Program Agreement, KSBA will provide Kentucky Power with semi-annual reports regarding the operation of the Program and energy savings achieved through the Program, including all supporting documentation.[12]

Two school energy managers will be retained through the Program to provide the energy management services. One energy manager will be assigned to the Lawrence,

[8] *Id.*, Kentucky Power Company's Notice of Filings of its Acceptance of Modifications to Stipulation and Settlement Agreement (Ky. PSC filed Oct. 14, 2013). The following counties are contiguous to Lawrence County: Boyd, Carter, Elliott, Johnson, Martin, and Morgan.

[9] The eight school districts referenced in this Order are: (1) the Lawrence County Public Schools; (2) Martin County Public Schools; (3) Johnson County Public Schools; (4) Paintsville Independent School District; (5) Carter County Public Schools; (6) Boyd County Public Schools; (7) Ashland Independent School District; and (8) Fairview Independent School District. Kentucky Power indicates that there are no K-12 public schools located in its service territory in Morgan and Elliott counties.

[10] Application, paragraph 11.

[11] Application, paragraph 12.

[12] Application, paragraph 12.

Johnson, Martin, and Paintsville Independent school districts. The second energy manager will provide energy management services to the Boyd, Carter, Ashland Independent, and Fairview Independent school districts. The school energy managers will be employees of an individual school district and not of Kentucky Power or the KSBA.[13]

The eight-district Program is scheduled for a two-year term beginning July 1, 2014. At the conclusion of the two-year term, the eight-district Program will be reviewed by Kentucky Power and KSBA, and based upon the results of the Program as determined by KSBA, the Program may be expanded to include all schools in Kentucky Power's service territory.[14]

Under the terms of the Agreement, Kentucky Power will provide $125,000 in funding for the Program over a two-year period. The eight school districts will match funding provided to them by KSBA during this two-year period. A portion of the Kentucky Power funding will reimburse KSBA for its associated overhead costs.[15] No funds generated by Kentucky Power's DSM commercial surcharge will be used to fund the Program.[16]

The Agreement obligates Kentucky Power to provide $75,000 in funding in 2014 and $50,000 in funding in 2015. Kentucky school districts operate on a fiscal year beginning July 1 and ending June 30. To conform to the fiscal years of the school districts that will be employing the school energy managers, Kentucky Power proposes

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[13] Application, paragraph 13.

[14] Application, paragraph 14.

[15] Application, page 6, footnote 5.

[16] Application, paragraph 15.

to provide the required funding during the 2014-2015 and 2015-2016 fiscal years.[17] The proposed funding budget is set out in Exhibit 3 of the Application. Kentucky Power's funding is provided by shareholder contributions to the KSBA.[18]

Kentucky Power estimated the following energy savings resulting from the implementation of the Program:[19]

Year	Summer Peak Demand (kW) Reduction	Winter Peak Demand (kW) Reduction	Incremental Energy (kWh) Reduction
2014-2015	0.0	73.8	431,258
2015-2016	128.9	161.1	940,926
Total	128.9	234.9	1,372,184

SUMMARY

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Kentucky Power's proposed Program is reasonable and should be approved.

2. The proposed Program should be considered compliant with the terms of, and fulfills Kentucky Power's obligations under, paragraph 12 of the Agreement, as modified by the Order in Case No. 2012-00578.

[17] Application, paragraph 16.

[18] Application, Exhibit 4.

[19] Application, paragraph 18, and Exhibit 5.

3. Kentucky Power's funding for the eight-district program should consist only of shareholder funding; no funds generated by Kentucky Power's DSM commercial surcharge should be used to fund the Program.

4. Kentucky Power should, within 30 days of receipt from KSBA, file with the Commission the semi-annual KSBA reports regarding the operation of the Program and the associated savings achieved, including all supporting documentation.

5. Kentucky Power's filing of the semi-annual KSBA reports should include the amount of funding provided to KSBA for administration costs.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's proposed Program is approved.

2. The proposed Program is considered compliant with the terms of, and fulfills Kentucky Power's obligations under, paragraph 12 of the Agreement, as modified by the Order in Case No. 2012-00578.[20]

3. No funds generated by Kentucky Power's DSM commercial surcharge shall be used to fund the eight-district Program; only shareholder funding shall be used.

4. Kentucky Power shall file with the Commission the semi-annual KSBA reports, along with the level of funding provided by Kentucky Power for KSBA administration costs, as set out in finding paragraphs 4 and 5 above.

5. Any documents filed pursuant to ordering paragraph 4 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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[20] *Id.*

6. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Kentucky Power's showing of good cause for such extension.

By the Commission

ENTERED
JUL 25 2014
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

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