

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER)	
COMPANY FOR AUTHORITY TO DEVIATE)	CASE NO.
FROM THE TEN PERCENT LIMITATION)	2016-00143
ON VARIATIONS IN VEGETATION)	
MANAGEMENT EXPENDITURES)	

ORDER

Kentucky Power Company (“Kentucky Power” or “Company”) has applied to the Commission for authority to modify its September 2015 projected distribution vegetation management work plan (“2016 Vegetation Work Plan”) expenditures in the Hazard and Pikeville districts in 2016 by more than 10 percent. Kentucky Power’s cycle-based distribution vegetation management program was established in July 2010 in conformity with the Commission’s June 28, 2010 Order in Case No. 2009-00459¹ (“2010 Order”), a Kentucky Power base rate case. The 2010 Order approved a unanimous settlement agreement which expanded Kentucky Power’s distribution vegetation management program and authorized rates designed to produce, in part, an additional \$10 million annually to fund that program. The 2010 Order authorized Kentucky Power to increase its annual distribution vegetation management operation and maintenance (“O&M”) expenditures by \$10 million, from \$7,237,965 to \$17,237,965, as a means of transitioning the Company to a cycle-based distribution vegetation management work plan by a projected completion date of mid-2017. The aim was for Kentucky Power to

¹ Case No. 2009-00459, *Application of Kentucky Power Company for a General Adjustment of Electric Rates* (Ky. PSC June 28, 2010).

transition from a reactive, performance-based work plan to a four-year clearing (“trim”) cycle.

The 2010 Order also established semi-annual reporting requirements for the operation of the Company’s distribution vegetation management program. In September of each year, Kentucky Power is required to file a detailed distribution vegetation management work plan for the upcoming year. The work plan forecasts Kentucky Power’s distribution vegetation management expenditures and the quantity of distribution vegetation management work to be performed over the course of the upcoming year. The forecast is provided on both a Company-total basis, and by each of Kentucky Power’s three districts (Ashland, Pikeville and Hazard). The work plan also describes the planned work on a circuit-by-circuit basis, including the circuit miles to be cleared and the projected O&M expenditures for each circuit.

On or before April of each year, Kentucky Power must file a detailed report of the prior year’s distribution vegetation management activity. The report provides information by circuit and district concerning O&M expenditures and distribution vegetation management work performed. Similar information is also provided on a Company-total basis.

In 2014, Kentucky Power filed an application to increase its base rates and to modify the distribution vegetation management work plan established by the 2010 Order due to two obstacles the Company had encountered.² First, Kentucky Power found that it had significantly underestimated the amount of vegetation in and around its energized

² Case No. 2014-00396, *Application of Kentucky Power Company for: (1) A General Adjustment of its Rates for Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; and (4) An Order Granting all Other Required Approvals and Relief* (Ky. PSC June 22, 2015) (“2015 Order”).

facilities and that the 12.47-kilovolt circuits required significantly more time to clear than originally projected. Second, Kentucky Power discovered that it took much longer than originally anticipated to safely and productively increase the distribution vegetation management workforce to full staffing levels. As a result of these two identified obstacles, Kentucky Power requested approval for additional system reliability spending in the amount of \$10,655,900, and the establishment of an additional cycle of work. The Company also projected that the clearing of every circuit would be completed by the end of 2018, instead of mid-2017.

Pursuant to the 2015 Order, the Commission approved Kentucky Power's requests for additional system reliability spending and an additional cycle of work. Under that 2015 modified distribution vegetation management work plan ("2015 Vegetation Work Plan"), Kentucky Power aimed to transition to a five-year trim cycle on or about July 1, 2019, at which time it would reduce this plan's expenditures to approximately \$16 million annually, and continue with this expenditure level for its distribution vegetation management work plans through 2023. Prior expenditures for the distribution vegetation management work plans amounted to approximately \$22.3 million in 2015, and were estimated to be \$27.7 million beginning in 2016-2018, and \$21.5 million in 2019.

In the 2015 Order, the Commission also required Kentucky Power to seek prior approval from the Commission "before altering any proposed [system reliability] spending that deviates by 10 percent or more from the total amount or within each

Division as set forth in an annual filing on September 30, 2015.”³ Kentucky Power agreed to this requirement.

On April 13, 2016, the Company filed the instant application seeking authority to modify its 2016 Vegetation Work Plan expenditures in the Hazard and Pikeville districts in 2016 by more than 10 percent and to modify the 2016 expenditure targets accordingly. Kentucky Power projects that with the 2016 modified expenditure targets it will be able to maintain or increase the mileage distribution vegetation management work targets for each of the Company’s three districts.

As a basis for its requested authority to deviate, Kentucky Power states that it exceeded its 2015 Task 1 work targets by 45 percent and Task 2 targets by 17 percent, which amounts to a total 512 circuit miles that cleared beyond the targeted goal for 2015. As of December 31, 2015, the Company has completed approximately 70 percent of the Task 1 work systemwide. By district, Task 1 percentage of completion was as follows: Ashland (66 percent); Hazard (81 percent); and Pikeville (64 percent), for a total systemwide percentage completion of 70 percent.⁴ Kentucky Power states that the differing completion percentage to date among the three districts resulted from differences in vegetation density among the districts, differences in primary distribution-line miles in each of the districts, and differences in the number of crews required to be added and trained in each of the districts.

The Company states that as of December 31, 2015, the circuit miles of Task 1 work remaining to be completed by district were: Ashland (843 circuit miles); Hazard

³ 2015 Order at 77.

⁴ Application at 8.

(512 circuit miles); and Pikeville (1,054 circuit miles), for a total of 2,409 circuit miles.⁵ Kentucky Power asserts that the proposed modifications to the 2016 Vegetation Work Plan will permit it to complete the transition to a five-year trim cycle in each of its three districts on or before September 30, 2018, rather than July 2019, as projected in the 2015 Vegetation Work Plan approved by the 2015 Order.⁶ The Company maintains that modifying the 2016 Vegetation Work Plan will allow the Company to address the differentials in the Task 1 completion percentages among its three districts and will permit it to deploy its distribution vegetation management resources in the most efficient manner. In addition, Kentucky Power asserts that transitioning to a five-year distribution vegetation management trim cycle in each district on approximately the same date is equitable.⁷

Having reviewed the record and being otherwise sufficiently advised, the Commission finds good cause to approve Kentucky Power's revised 2016 Vegetation Work Plan and for granting Kentucky Power authority to deviate from its 2016 Vegetation Work Plan as originally filed with the Commission on September 29, 2015. The total projected expenditures under the 2016 Vegetation Work Plan remain unchanged from the 2015 Vegetation Work Plan; Kentucky Power is simply re-allocating its expenditures among its districts to ensure that the transition to the five-year distribution vegetation management trim cycle occurs at approximately the same time in all three districts.

⁵ *Id.* at 9.

⁶ *Id.*

⁷ *Id.*

IT IS THEREFORE ORDERED that Kentucky Power's request for authority to deviate from its 2016 Vegetation Work Plan, as filed September 29, 2015, is granted, and its revised 2016 Vegetation Work Plan is approved.

By the Commission



ATTEST:

A handwritten signature in blue ink that reads "Aline R. Mathews". The signature is written in a cursive style and is positioned above the printed name.

Executive Director

Case No. 2016-00143

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