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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

The Application Of Kentucky Power Company For)
(1) Approval of A School Energy Manager Program;) Case No. 2014-00____
And (2) For All Other Required Approvals And Relief)

APPLICATION

Kentucky Power Company (“Kentucky Power” or the “Company”) moves the Public Service Commission of Kentucky (“Commission”) pursuant to KRS 278.285(1) for an Order: (1) approving its proposed School Energy Manager Program; (2) declaring that the Company’s School Energy Manager Program complies with the terms of, and fulfills the Company’s obligations under, paragraph 12 of the Stipulation and Settlement Agreement, as modified by the Commission’s October 7, 2013 Order in Case No. 2012-00578; and (3) granting all other required relief or approvals. In support thereof Kentucky Power states:

INTRODUCTION

1. On July 2, 2013 Kentucky Power, Kentucky Industrial Utility Customers, Inc., and Sierra Club and its residential intervenors entered into a Stipulation and Settlement Agreement in Case No. 2012-00578. Paragraph 12 of the Stipulation and Settlement Agreement provides in part:

The Company agrees to institute a new two-year Demand-Side Management (“DSM”) program to help fund energy manager 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.

2. On October 7, 2013, the Commission entered its Order in Case No. 2012-00578 approving, with four modifications, the terms and conditions of the July 2, 2013 Stipulation and Settlement Agreement. Among the required modifications was paragraph 3, which provided in pertinent part:

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 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.

3. On October 14, 2013, Kentucky Power filed its acceptance of the four modifications to the Stipulation and Settlement Agreement set forth in Appendix B and imposed by the Commission's October 7, 2013 Order.

4. By this application the Company is seeking all required authorizations to implement the identified portion of Paragraph 12 of the Stipulation and Settlement Agreement as modified by the Commission's October 7, 2013 Order.

APPLICANT

5. Kentucky Power was organized in 1919 under the laws of the Commonwealth of Kentucky.¹ The Company's mailing address is 101A Enterprise Drive, P.O. Box 5190, Frankfort, Kentucky 40602-5190. Its electronic mail address is jarogness@aep.com. Kentucky Power is engaged in the generation, purchase, transmission, distribution and sale of electric power. The

¹ A certified copy of the Company's Articles of Incorporation and all amendments thereto was attached to the Joint Application in *In the Matter Of: The Joint Application Of Kentucky Power Company, American Electric Power Company, Inc. And Central And South West Corporation Regarding A Proposed Merger*, P.S.C. Case No. 99-149. The Company's May 8, 2014 Certificate of Existence is attached as **EXHIBIT 1**.

Company serves approximately 173,000 retail customers in the following 20 counties of eastern Kentucky: Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan, Owsley, Perry, Pike and Rowan. In addition, the Company also supplies electric power at wholesale to other utilities and municipalities in Kentucky for resale. Kentucky Power is a utility as that term is defined at KRS 278.010. [807 KAR 5:005, Section 14].

6. Kentucky Power is a direct, wholly-owned subsidiary of American Electric Power Company, Inc.

NON-PARTY ENTITY

7. The Kentucky School Boards Association (“KSBA”) is a Kentucky non-profit corporation with offices located at 260 Democrat Drive, Frankfort, Kentucky. The KSBA’s purpose includes enhancing school board leadership in maximizing student achievement through superior support and services. Each of the school districts eligible to participate in the School Energy Manager Program proposed in this application is a member of KSBA.

8. The KSBA currently provides Kentucky school districts with facility services including the School Energy Managers Project and the Local Facilities Planning service. The KSBA School Energy Managers Project aids school districts in complying with statutory and board-initiated energy management requirements, coordinates and conducts training for school energy managers, supports school districts in tracking and consolidating energy use data, and assists school districts in developing and implementing school energy policies.

THE KENTUCKY POWER SCHOOL ENERGY MANAGER PROGRAM

9. The six Kentucky counties contiguous to Lawrence County, Kentucky are Martin, Johnson, Morgan, Elliot, Carter, and Boyd. There are eight school districts² in Kentucky Power's service territory in Lawrence and its contiguous Kentucky counties.

10. KRS 160.325 was enacted by the 2008 General Assembly and repealed and reenacted by the 2010 General Assembly. In an effort to reduce rising energy costs that were and continue to strain school district budgets, KRS 160.325 as reenacted directs each board of education in the Commonwealth to "enroll in the Kentucky Energy Efficiency Program ... to obtain information regarding the potential energy savings for every board-owned and board-operated facility." Subsequently, boards of education adopted energy management policies that directed their superintendents to develop and implement energy manager programs and report the results annually to the school board and to the Kentucky Pollution Prevention Center for reporting to the Legislative Research Commission and the Kentucky Department of Energy Development and Independence. Each of the eight school districts in Lawrence and its contiguous Kentucky counties with facilities in Kentucky Power's territory is affected by KRS 160.325 and thus eligible to participate in school energy manager programs to be funded through paragraph 12 of Stipulation and Settlement Agreement.

11. The School Energy Manager Program is proposed as a commercial DSM program and will provide energy management services to the eight school districts eligible to participate

² The following school districts lie within Lawrence and contiguous counties in Kentucky: the Lawrence County Public Schools, Martin County Public Schools, Johnson County Public Schools, Paintsville Independent School District, Morgan County Public Schools, Elliot Public Schools, Carter County Public Schools, Boyd County Public Schools, Ashland Independent School District, Fairview Independent School District. There are no K-12 public schools located in Kentucky Power's service territory in Morgan and Elliot counties, and thus no schools in those counties are eligible to participate in the School Energy Manager Program.

in the program. The program will be administered through the Kentucky School Boards Association (“KSBA”). The program will assist the eligible districts in implementing energy management measures that but for the program would not be implemented, or would not be implemented as early as they are under the program, to improve energy efficiency through behavioral changes, and to better utilize automation measures.

12. The Kentucky School Boards Association will manage the program in accordance with the Energy Manager Program Agreement between Kentucky Power and KSBA. A copy of the form Energy Manager Program Agreement is attached as **EXHIBIT 2**. As part of its obligations under the Energy Manager Program Agreement KSBA will provide Kentucky Power with semi-annual reports regarding the operation of the School Energy Manager Program and energy savings achieved through the program, including all supporting documentation.

13. 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, 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 district³ and not Kentucky Power or the Kentucky School Boards Association.

14. The eight-district Kentucky Power School Energy Manager Program (“Program”) is scheduled for a two-year term beginning July 1, 2014.⁴ At the conclusion of the

³ The school energy manager for the Johnson County, Lawrence County, Martin County, and Paintsville school districts is an employee of the Johnson County district. Kentucky Power and KSBA are working with the other school districts to determine the employer of the other school energy manager.

⁴ Prior to the Commission’s imposition, and the Company’s acceptance, of the limitation of the use of the \$125,000 contribution by Kentucky Power to school energy management programs serving schools located in Lawrence and

two-year term of the eight-district program the Program will be reviewed by Kentucky Power and KSBA, and based upon the results of the program as provided by KSBA, the Company's School Energy Manager Program may be expanded to include all schools in Kentucky Power's service territory.

FUNDING AND BUDGET FOR THE KENTUCKY POWER
SCHOOL ENERGY MANAGER PROGRAM

15. Under the terms of the Commission-approved Stipulation and Settlement Agreement in Case No. 2012-00578 Kentucky Power will provide \$125,000 in funding for the School Energy Manager Program over a two-year period. The eight school districts will match funding provided to them by KSBA during this two-year period.⁵ No funds generated by the Company's Demand-Side Management surcharge will be used to fund the eight-district program.

16. The Stipulation and Settlement 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 July 1 to June 30 fiscal year. To conform to the fiscal years of the school districts that will be employing the school energy managers, Kentucky Power proposes to provide the required funding during the 2014-2015 and 2015-2016 fiscal years. The proposed funding budget for contributions by KSBA and Kentucky Power is attached as **EXHIBIT 3**.

contiguous Kentucky counties, the Company intended to deploy the school energy manager program throughout Kentucky Power's service territory. The required additional funding to do so would have been provided by a uniform DSM charge levied throughout the Company's service territory. Because of the administrative and operational difficulties associated with the use of differing DSM factors throughout the Company's service territory, and to enable it to comply with the requirements of the Commission's Order, Kentucky Power is limited for the initial two-years of the program to those school districts with schools in Kentucky Power's service territory in Lawrence and contiguous Kentucky counties.

⁵ A portion of the Kentucky Power funding will reimburse KSBA for its associated overhead costs.

17. The proposed expenditure budget for the Kentucky Power School Energy Manager Program is attached as **EXHIBIT 4**.

NEED FOR THE REQUESTED APPROVALS

18. KRS 278.285(1) provides that the Commission may “determine the reasonableness of demand-side management plans proposed by any utility under its jurisdiction.” Although the Company is not seeking to recover the costs associated with the School Energy Manager Program or the revenues lost through implementation of the program during its initial two-year term, it is seeking pursuant to KRS 278.285(1) a Commission finding that the School Energy Manager Program is reasonable and an Order approving the program for its initial two-year term. The Company’s estimate of energy savings from implementation of the School Energy Manager Program is detailed in **EXHIBIT 5**. Further, the Company is seeking a declaratory ruling pursuant to 807 KAR 5:001, Section 19 that its proposed School Energy Manager Program complies with and fulfills the Company’s obligations under paragraph 12 of the Stipulation and Settlement Agreement, as modified by the Commission’s October 7, 2013 Order in Case No. 2012-00578.

EXHIBITS

19. The exhibits listed in the Appendix to this Application are attached to and made a part of this Application.

Communications

20. The Applicant respectfully requests that communications in this matter be addressed to:

Mark R. Overstreet
STITES & HARBISON PLLC
421 West Main Street
P.O. Box 634
Frankfort, Kentucky 40602-0634
moverstreet@stites.com

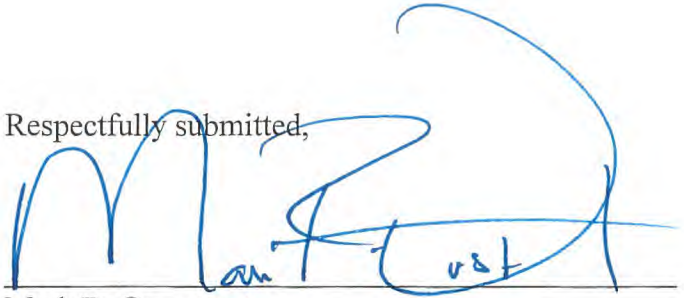
Ranie K. Wohnhas
Kentucky Power Company
P.O. Box 5190
Frankfort, Kentucky 40602-5190

ON BEHALF OF KENTUCKY POWER

WHEREFORE, Kentucky Power Company requests that the Commission issue an Order:

1. An Order finding that the Company's School Energy Manager Program is reasonable;
2. An Order declaring that the Company's School Energy Manager Program complies with the terms of, and fulfills the Company's obligations under, paragraph 12 of the Stipulation and Settlement Agreement, as modified by the Commission's October 7, 2013 Order in Case No. 2012-00578; and
3. An Order approving the Company's School Energy Manager Program.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Mark R. Overstreet', written over a horizontal line.

Mark R. Overstreet
STITES & HARBISON PLLC
421 West Main Street
P.O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: (502) 223-3477
Facsimile: (502) 223-4387
moverstreet@stites.com

COUNSEL FOR:
KENTUCKY POWER COMPANY

VERIFICATION

The, Ranie K. Wohnhas, Managing Director Regulatory and Finance, after being dully sworn, state that the facts contained in this Application are true and accurate to the best of my knowledge.

Ranie K. Wohnhas
Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 30th day of May 2014.

Judy K Rosquist 481393
Notary Public

My Commission Expires: January 23, 2017

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served as indicated below upon:

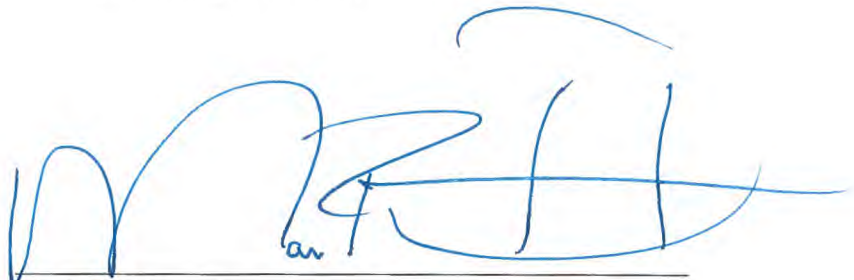
Shannon Fisk
Earthjustice
1617 JFK Boulevard, Suite 1675
Philadelphia, PA 19103

Jennifer Black Hans
Dennis G. Howard II
Lawrence W. Cook
Kentucky Attorney General's Office
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204

By Overnight Delivery

By Overnight Delivery

on this the 30th day of May, 2014.



Mark R. Overstreet

LIST OF EXHIBITS

- EXHIBIT 1: The May 8, 2014 Kentucky Power “Certificate of Existence” issued by the Secretary of State of the Commonwealth of Kentucky.
- EXHIBIT 2: The form of the Energy Manager Program Agreement between Kentucky Power and Kentucky School Boards Association.
- EXHIBIT 3: The proposed funding budget for contributions by KSBA and Kentucky Power.
- EXHIBIT 4: The proposed expenditure budget for the Kentucky Power School Energy Manager Program.
- EXHIBIT 5: Estimated energy and demand savings as a result of the Kentucky Power School Energy Manager Program.

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
<http://www.sos.ky.gov>

Certificate of Existence

Authentication number: 150645
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

KENTUCKY POWER COMPANY

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is July 21, 1919 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 8th day of May, 2014, in the 222nd year of the Commonwealth.



Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
150645/0028317

Exhibit 2

ENERGY MANAGEMENT PROGRAM AGREEMENT

This Energy Management Program Agreement (“Agreement”) dated _____, 2014 (the “Effective Date”) is entered into by and among **Kentucky Power Company**, and the **Kentucky School Boards Association**, a Kentucky non-profit corporation (“KSBA”). Kentucky Power Company is referred to as the “Company.”

RECITALS

WHEREAS, the Settlement Agreement, Stipulation and Recommendation in Kentucky Public Service Commission (“KPSC”) Case No. 2012 - 00578 (the “Settlement”) provided that the Company committed to propose a two-year demand-side management program to help fund energy-management programs for schools affected by KRS 160.325 (the “Program”);

WHEREAS, pursuant to the Settlement, the Company on May _____, 2014 submitted an application to the KPSC for the review and approval of the Program;

WHEREAS, the KPSC having entered an order approving the Program (the “KPSC Order”);

WHEREAS, as stated in the Application, the KSBA will manage and operate the Program;

WHEREAS, as stated in the KPSC Order, the Company will provide specified amounts of funding for the Program;

WHEREAS, the Company and KSBA desire to state the terms and conditions under which the KSBA will manage the Program.

WHEREAS, the KPSC Order require KSBA to provide the Company with the specific information described in Section 5 of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein, the Company and KSBA hereby agree as follows:

1. **Incorporation of the KPSC Order.** A copy of the KPSC Order is to be attached hereto as EXHIBIT 1 and incorporated by reference solely for the purpose of describing the Program.
2. **Term.** The term of this Agreement shall begin July 1, 2014 or the on the Effective Date as determined by the KPSC Order approval and expire on June 30, 2016.
3. **Funding.** The Company shall provide funding for the Program in three payments issued to KSBA beginning July xx, 2014, January xx, 2015, and January xx, 2016. KSBA shall use funding provided by the Company under this Agreement solely for the purposes of managing and operating the Program as more fully described in the Program Application included with Appendix A.

Exhibit 2

Time Period	Price per Area	School Areas Partnerships¹	KSBA Overheads²	School District Match	Total Utility Funding	Total Annual Cost
7/1/2014 – 12/31/2014	\$62,500	2	\$4,250	\$27,000	\$31,250	\$62,500
1/1/2015 – 12/31/2015	\$62,500	2	\$8,500	\$54,000	\$62,500	\$125,000
1/1/2016 – 6/30/2016	\$62,500	2	\$4,250	\$27,000	\$31,250	\$62,500
Total			\$17,000	\$108,000	\$125,000	\$250,000

Notes:

- 1 Per PSC Order funds KPC served schools in Lawrence and six contiguous counties. One energy manager for Lawrence, Johnson, Martin and Paintsville Independent partnership and one energy manager for Boyd, Carter, Ashland Independent and Fairview Independent partnership. Elliott and Morgan do not have any Kentucky Power served K-12 schools.
- 2 KSBA Administrative costs.

4. **Invoicing.** KSBA shall send an invoice to be received by Company by the beginning of the program funding cycle start date (July 1, 2014, January 1, 2015, and January 1, 2016). Each invoice shall include a reference to the Energy Management Program. The invoice shall contain the following:

- a. program operating period beginning and end dates
- b. description of services to be provided
- c. total funding amount requested

Invoices should be prepared and directed to:

Kentucky Power Company
 Attn: E. J. Clayton, Mgr. EE & Consumer Programs
 12333 Kevin Avenue
 Ashland, KY 41102

5. **Operation and Management.** KSBA shall manage and operate the Program as described in the proceedings before the KPSC. The goals of the Program shall be as stated in those proceedings and as more particularly described in the aforesaid KPSC

Exhibit 2

Order. The KSBA will manage the Program consistent with good operating practices and will strive to maximize the achievement of goals set out for the Program.

6. **Semi – Annual Reports.** Beginning January 1, 2015 and continuing on January 1st and June 1st during the program operation, KSBA shall deliver within 30 to 60 days or as required for reporting the program status to the KPSC, reports describing the operation and achievement of the program and as defined by the following information subject to modification as mutually agreed by both parties (“Semi - Annual Reports”):
 - a. Funding provided to each lead school district located in the Kentucky Power service area.
 - b. A list of measures and/or initiatives installed or implemented noted by facility and electric account number, in each of the school districts in the Kentucky Power service area and the estimated or calculated energy savings by KSBA
 - c. Preceding and current year peak billing demand and annual energy usage per facility and school district in the Kentucky Power service area, and
 - d. KSBA estimated impact energy and demand savings per school facility and totaled per school district in the Kentucky Power service area.

KSBA shall deliver Semi Annual Reports to the Company at the following address:

Kentucky Power Company
Attn: E. J. Clayton, Mgr. EE and Consumer Programs
12333 Kevin Avenue
Ashland, KY 41102

For purposes of clarification, the Company and KSBA agree that Semi - Annual Reports provided Kentucky Power shall contain the above described information regarding the Program with respect to school facilities served by Kentucky Power. Reports will be submitted to the KPSC by Kentucky Power Company.

7. **Limitation of Liability.** “Company’s liability to KSBA under this Agreement is limited solely to the Program’s funding as stated in Section 3 of this Agreement. Under no circumstances shall Company be liable to KSBA for any direct, incidental, indirect, special, punitive or consequential damages of any kind.
8. **Relationship of Parties.** This Agreement does not establish a partnership or joint venture between the Company and KSBA. KSBA will not operate the Program as the Company’s contractor. The Company does not have or assert any authority over KSBA’s operation or management of the Program. All determinations regarding the operation and management of the Program shall be made by KSBA. The actions of KSBA are to

Exhibit 2

achieve the program goals as described in the KPSC proceedings and as more particularly described in the aforesaid KPSC Order. The Company maintains responsibility to review the outcomes achieved by the KSBA in relation to the defined program objectives and reporting provided by KSBA. KSBA may not use the name, logo letterhead or any item copyrighted by Company, American Electric Power Company, Inc., or any of its affiliates (AEP) in any way without prior written permission from AEP.

9. **Notices.** All notices and communications respecting this Agreement shall be in writing, delivered by nationally recognized overnight courier, Certified Mail – Return Receipt Requested, or personal delivery, and shall be addressed as follows (which address either party may change upon five (5) days prior notice to the other party).

To Company:

Kentucky Power Company
Attn: E.J. Clayton
Mgr. EE and Consumer Programs
12333 Kevin Avenue
Ashland, Kentucky 41102

To KSBA:

Kentucky School Boards
Attn: Ron Wilhite
260 Democrat Drive
Frankfort, Kentucky 40601

10. Miscellaneous. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky, without regard to its principles of conflicts of laws. The headings of sections and other parts of this Agreement are for convenience only and do not define, limit, or construe the contents thereof. Except for the Company and KSBA, there are no intended third party beneficiaries of this Agreement and none may rely on this Agreement in making a claim against any party to this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the Effective Date.

Kentucky Power Company

By: _____

Title: _____

Kentucky School Boards Association

By: _____

Title: _____

Exhibit 2

Exhibit 3

School Energy Management

Program Budget

Kentucky Power Company and Kentucky School Board Association (KSBA) will provide funding support for energy managers for 8 school districts. A summary of program expense includes;

Time period	Price per Area	School Areas Partnerships¹	KSBA Overheads²	School District Match	Total Utility Funding	Total Annual Cost
7/1/2014 – 12/31/2014	\$62,500	2	\$4,250	\$27,000	\$31,250	\$62,500
1/1/2015 – 12/31/2015	\$62,500	2	\$8,500	\$54,000	\$62,500	\$125,000
1/1/2016 – 6/30/2016	\$62,500	2	\$4,250	\$27,000	\$31,250	\$62,500
Total			\$17,000	\$108,000	\$125,000	\$250,000

Notes:

- 1 One energy manager for Lawrence, Johnson, Martin and Paintsville Independent partnership and one energy manager for Boyd, Carter, Ashland Independent and Fairview Independent partnership. Elliott and Morgan do not have any Kentucky Power served K-12 schools.
- 2 KSBA Administrative costs.

Exhibit 4

School Energy Management

Utility Budget

Kentucky Power Company and Kentucky School Board Association (KSBA) will provide funding support for energy managers for 8 school districts. A summary of program expense includes;

Year	Total Utility Funding¹	KPCO Shareholder Funding
2014	\$31,250	\$31,250
2015	\$62,500	\$62,500
2016	\$31,250	\$31,250
Total	\$125,000	\$125,000

1 Total Utility Funding represents payment to Kentucky School Board Association.

Exhibit 5

School Energy Management

Impact Savings

The Kentucky School Board Association (KSBA) has provided a summary of the average energy and demand savings for school districts located within the Kentucky Power Service area. The estimated impact savings from the program are summarized below:

Year¹	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

1) Program start is July 1st, 2014 and end is June 30, 2016.