COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY FOR (1) APPROVAL OF A MODIFIED SCHOOL ENERGY MANAGER PROGRAM AND (2) FOR ALL OTHER REQUIRED APPROVALS AND RELIEF	)))))	CASE NO. 2015-00189

ORDER

On June 11, 2015, Kentucky Power Company ("Kentucky Power") filed an application seeking approval of its modified School Energy Management Program ("Program") and a declaration that the Program complies with the terms of, and fulfills Kentucky Power's obligations under, numbered paragraph ("Paragraph") 15 of the non-unanimous Settlement Agreement ("Agreement"), which Agreement was modified and approved by the Commission in Case No. 2014-00396,[1] and also requesting that all other required relief or approvals be granted. On July 2, 2015, Kentucky Power filed a substitute Exhibit 2 to its Application. There are no intervenors to this proceeding. This case now stands submitted for a Commission decision based on the evidentiary record.

[1] 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).

BACKGROUND

On April 30, 2015, Kentucky Power, Kentucky Industrial Utility Customers, Inc., and the Kentucky School Boards Association ("KSBA") entered into the non-unanimous Agreement in Case No. 2014-00396.[2] Paragraph 15 of that Agreement states:

> (a) Kentucky Power shall file an application to amend Tariff D.S.M. to expand its current School Energy Manager Program by an amount not to exceed $200,000 per year for two years to (1) fund up to an additional six school energy managers as part of the expansion of the School Energy Manager Program to the Company's entire service territory; and (2) to the extent funds are available, to fund school energy efficiency projects. In order for the school districts to properly budget for the upcoming school years, the company will request an order on the Company's application by June 30, 2015.
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> (b) Beginning on or before March 31, 2016, and each March 31st thereafter, Kentucky Power agrees to make an informational filing with the Commission describing the manner in which the additional funds described in subparagraph (a) were expended. KSBA agrees to cooperate with the Company by providing the information required to make the annual report. A copy of this annual informational filing shall be served by Kentucky Power upon counsel for all parties to this proceeding.[3]

On June 22, 2015, the Commission issued an Order in Case No. 2014-00396 approving, with modifications unrelated to Paragraph 15, the terms and conditions of the

[2] Case No. 2014-00396, *Kentucky Power Company,* Stipulation and Settlement Agreement filed April 30, 2015. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), and Wal-Mart Stores East, LLP/Sam's East, Inc. ("Wal-Mart") were also intervenors in Case No. 2014-00396, but the AG and Wal-Mart were not signatories to the Agreement. Wal-Mart filed a statement in that proceeding indicating in general that it did not object to or oppose the Agreement and specifically stating its support for those provisions of the Agreement addressing total revenue requirement, rate allocation, and Rate IGS rate design.

[3] *Id.*

Agreement. On June 26, 2015, Kentucky Power filed its acceptance of the modifications to the Agreement.

PROPOSED SCHOOL ENERGY MANAGEMENT PROGRAM

The existing Program is a commercial demand-side management ("DSM") program administered by the KSBA and providing energy-management services to eight eligible school districts located in Kentucky Power's service territory in Lawrence County and the six Kentucky counties contiguous to Lawrence County.[4] The current Program was initially approved by the Commission in Case No. 2014-00178,[5] which case was filed by Kentucky Power to implement certain terms and conditions of the non-unanimous Stipulation and Settlement Agreement reached in Case No. 2012-00578,[6] involving Kentucky's Power's acquisition of the Mitchell Generating Station. The Program is designed to assist the eight eligible school districts in implementing, in a more timely manner than would otherwise have occurred, energy-management measures "to improve energy efficiency through behavioral changes, and to better

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[4] The eight school districts currently participating in Kentucky Power's existing Program are: (1) Lawrence County Public School; (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, which counties are contiguous to Lawrence County.

[5] Case No. 2014-00178, *Application of Kentucky Power Company for Approval of a School Energy Manager Program and for All Other Required Approvals and Relief* (Ky. PSC July 25, 2014).

[6] Case No. 2012-00578, *The 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 Company 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).

utilize automation measures."[7] Funding for the Program is currently provided by Kentucky Power shareholder contributions amounting to $125,000[8] and the participating school districts.[9]

The existing eight-district Program is scheduled for a two-year term and is to be evaluated following the 2015-2016 fiscal year ending June 30, 2016, to determine whether it should be continued, modified, discontinued, or combined with the expanded Program that is the subject of this proceeding. Pursuant to, and in conformity with, Paragraph 15 of the Agreement in Case No. 2014-00396, Kentucky Power now proposes to expand its current Program to include those school districts in its service territory that are not currently eligible to participate in the existing Program and to allow for additional funding to be recovered through a DSM surcharge. While no funds generated by Kentucky Power's DSM commercial surcharge are used to fund the current Program, the $200,000 annual funding for the proposed Program is to be provided through Kentucky Power's DSM tariff.[10] Kentucky Power states that the expanded Program is proposed to provide school energy manager services to the 15 school districts[11] in the 13 counties not currently eligible under the existing Program.

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[7] Application at Paragraph 14.

[8] $75,000 for the 2014–2015 fiscal year and $50,000 for the 2015–2016 fiscal year.

[9] Application at Paragraph 1.

[10] *Id.* at Paragraph 3.

[11] The 15 school districts that would be able to participate in Kentucky Power's proposed expanded Program are: (1) Breathitt County School District; (2) Floyd County School District; (3) Greenup County School District; (4) Hazard Independent School District; (5) Jackson Independent School District; (6) Jenkins Independent School District; (7) Knott County School District; (8) Leslie County School District; (9) Letcher County School District; (10) Magoffin County School District; (11) Perry County School District; (12) Pike County School District; (13) Pikeville Independent School District; (14) Raceland Independent School District; and (15) Russell Independent School District.

The additional $200,000 in DSM-generated Program funds will be provided to KSBA by Kentucky Power to manage the expanded Program and reimburse KSBA for its overhead to fund up to 50 percent of the cost of six additional school energy managers. Any funds not required for school energy manager positions are proposed to be used for energy-efficiency programs for school districts affected by KRS 160.325[12] in Kentucky Power's service territory.[13]

Kentucky Power proposes to modify its existing Program so that it consists of two separate subprograms to be independently funded, administered, and operated by Kentucky Power and KSBA. The two subprograms will be the existing shareholder/school district-funded Program and the new DSM Commercial surcharge-funded Program available to all counties in Kentucky Power's service area. Both subprograms are proposed to be managed by KSBA. Kentucky Power provided as an exhibit to its Application the Energy Manager Program Agreement ("Program Agreement") for the proposed expanded Program. Pursuant to the terms of the Program Agreement, KSBA will be required to provide semi-annual reports regarding the expanded Program's operation and the associated energy savings achieved, including all supporting documentation.[14] The Program Agreement between Kentucky Power and KSBA specifically states that within 45 days of the last day, June 30, of each of the two

[12] KRS 160.325 requires that school districts respond to rising energy costs by focusing on the management of its various uses of energy, and that boards of education enroll in the Kentucky Energy Efficiency Program for Schools which is administered by the Kentucky Pollution Prevention Center based at the University of Louisville J. B. Speed School of Engineering.

[13] Application at Paragraph 22.

[14] Application at Paragraph 26.

years of the expanded Program, KSBA will deliver reports to Kentucky Power containing the following information for July 1 to June 30 of the concluding Program year:

a. district funding;
b. initiatives implemented per school district with corresponding utility account numbers;
c. Energy Utilization Indices;
d. consumption reduction;
e. preceding and current year peak demand and annual energy usage as compared to the 12 month period beginning July 1, 2014; and
f. associated energy and demand savings compared to the metrics set out in Attachment 1 to the Program Agreement; and
g. A list of energy conservation measures by facility and school district, dates implemented, and corresponding electric account, as requested by Kentucky Power or its designated agent responsible for performing Evaluation, Measurement, and Verification (EMV) of program cost effectiveness, demand reduction, and energy savings.

Kentucky Power states that it will review the expanded Program annually, or at such intervals as the Commission directs, to determine whether it should be continued, modified, or discontinued with Commission approval.

Kentucky Power seeks through its application a Commission finding that the proposed expanded Program is reasonable, as well as a declaratory ruling that it fulfills Kentucky Power's obligations under Paragraph 15 of the Agreement in Case No. 2014-00396. Kentucky Power states that it will seek approval of the expanded Program funding through its August 15 annual DSM filing with the Commission.

SUMMARY

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

1. Kentucky Power's proposed expanded 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 15 of the Agreement.

3. The information provided by Kentucky Power in its August 15, 2015 DSM filing should be in sufficient detail to enable the evaluation of the expanded Program in the same manner that any new Commercial DSM Program would be evaluated. The information provided should include projections for Program costs; a copy of the KSBA invoice to Kentucky Power which, according to the terms of the Program Agreement, will contain a description of the services to be provided; detailed energy reductions expected from the Program; and cost/benefit analyses.

4. Kentucky Power should, within 30 days of receipt from KSBA, file with the Commission the March 31 reports required by the Agreement in Case No. 2014-00396 regarding the operation of the Program.

5. Kentucky Power should, within 30 days of receipt from KSBA, file with the Commission the reports required by the Program Agreement containing the information specified herein regarding the Program operation for the 12 months ended June 30 of each year.

IT IS THREREFORE ORDERED that:

1. Kentucky Power's proposed Program is compliant with the terms of, and fulfills Kentucky Power's obligations under, Paragraph 15 of the Agreement and is approved.

2. Kentucky Power shall file with the Commission the KSBA reports as set out in finding paragraphs 4 and 5 above.

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

4. Kentucky Power's August 15, 2015 DSM filing shall include information sufficient for the evaluation of the projected cost-effectiveness of the expanded Program, as required in finding paragraph 3.

5. 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
AUG 03 2015
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

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