

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE)	
REASONABLENESS OF THE DEMAND SIDE)	CASE NO.
MANAGEMENT PROGRAMS AND RATES OF)	2017-00097
KENTUCKY POWER COMPANY)	

ORDER

On November 15, 2017, Kentucky Power Company (“Kentucky Power”) filed jointly a status report and two motions regarding its demand-side management (“DSM”) programs. The status report details actions taken in response to the Commission’s November 2, 2017 Order which stated, among other things, that, “Kentucky Power’s obligation to annually spend \$6 million on DSM programs is suspended during the pendency of this investigation.”¹ The status report states that all new DSM program activity and measurement and evaluation services have been suspended and sets forth details of current and projected DSM spending and revenue levels. It also lists the existing third-party DSM vendor agreements and their expiration dates, the implication of actions taken to suspend future DSM spending, and the reasons for notifying third-party vendors by November 30, 2017, if existing DSM programs are not going to continue into 2018.

Kentucky Power’s first motion requests authority to file, as part of this pending investigation, its annual DSM filing, including DSM program evaluations, calculations of

¹ Order entered November 2, 2017, at 5.

past and projected DSM expenditures and revenues, and proposed DSM tariffs revisions. Kentucky Power states that since its annual DSM filing presents issues in common with those pending in this investigation, it will be more efficient for its annual DSM filing to be included and reviewed in this case rather than in a separate case. Included with the November 15, 2017 filing were all of the documents contained in Kentucky Power's annual DSM report except for its proposed DSM tariff revisions, which are addressed in Kentucky Power's second motion, discussed below.

Kentucky Power's annual DSM filing presents two mutually exclusive alternative proposals for 2018. One alternative is based on resuming DSM expenditures at a \$6 million annual level, plus recovery of lost revenue and incentives, while the other is based on terminating all DSM activity. Citing its prior commitment to spend \$6 million annually for DSM programs pursuant to the terms of a Stipulation and Settlement Agreement ("Stipulation") that was approved by the Commission in 2013,² Kentucky Power recommends the \$6 million DSM spending alternative. Kentucky Power requests a decision on its alternatives by November 30, 2017, in order to provide advance notice to its third-party DSM vendors in the event that the Commission determines that the DSM programs should be terminated.

Kentucky Power's second motion requests authority to delay the filing of its proposed DSM tariff revisions until ten days after a decision is issued on the alternative

² 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 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).

spending levels presented in its annual DSM filing. Once the Commission determines the appropriate DSM spending level, Kentucky Power will be able to file within ten days tariff revisions conforming to the Commission's decision.

Based on Kentucky Power's November 15, 2017 filing of a DSM status report, two motions, and accompanying documents, and being otherwise sufficiently advised, the Commission finds that there is insufficient evidence in the existing record to approve DSM programs for 2018 at a spending level of \$6 million plus lost revenues and incentives. As we have stated in prior Orders in this case, circumstances have changed dramatically since the approval of the Stipulation in which Kentucky Power committed to spend \$6 million annually on DSM. These changes include the current adverse economic conditions in much of Kentucky Power's service territory, declining electric sales, and declining number of customers, collectively resulting in a separately pending application to increase base rates and significant level of excess generating capacity.

While Kentucky Power has now filed voluminous, detailed market evaluations of its current DSM programs, those evaluations include no current analyses of the cost-effectiveness of any of the DSM programs. Current analyses of the cost-effectiveness of the DSM programs are critical because the last cost analyses, filed in 2015, were based on avoided capacity costs at a time when Kentucky Power had a lower reserve margin and did not have its current significant over capacity. It is also unclear whether lost revenues and incentives were fully reflected in the 2015 cost analyses of DSM programs. Absent current cost analyses, the Commission is unable at this time to make any findings as to the cost-effectiveness of each of the DSM programs proposed for 2018. Consequently, a decision of the continuation of Kentucky Power's DSM programs for

2018 cannot be made until the filing of Kentucky Power's rebuttal testimony, which is due on December 13, 2017, and the scheduling of a public hearing.

However, the Commission does recognize that one of Kentucky Power's DSM programs, known as the Targeted Energy Efficiency program, is designed exclusively to provide weatherization and energy-efficiency services to residential customers meeting specified income guidelines. Since this program provides a high level of benefits to income-qualified residential customers, we will at this time approve a continuation of the Targeted Energy Efficiency program through 2018.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's motion for authority to file its annual DSM filing as part of this investigation is granted.
2. Kentucky Power's motion for authority to file its DSM tariffs ten days following the entry of this Order is granted.
3. Kentucky Power's Targeted Energy Efficiency program is approved through 2018, and a decision on all other DSM programs shall be deferred until the conclusion of this investigation.
4. Within ten days of the date of this Order, Kentucky Power shall file in the record of this case revised DSM tariffs sheets with an effective date of January 1, 2018, reflecting a continuation only of the Targeted Energy Efficiency program and new DSM rates for 2018, along with all supporting calculations of the 2018 DSM rates.

By the Commission

ENTERED
NOV 30 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2017-00097

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