



Steven L. Beshear
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Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

November 29, 2011

Ranie Wohnhas
Managing Director
Kentucky Power Company
Post Office Box 5190
Frankfort, KY 40602

Dear Mr. Wohnhas:

In a filing received September 2, 2011, Jackson Energy Electric Cooperative Corporation ("Jackson Energy") submitted tariffs for five marketing or Demand-Side Management ("DSM") programs. Following Commission Staff review, an order was issued establishing the tariff filing as a formal case and suspending the proposed tariffs for a period of up to five months to allow the Commission to fully review the reasonableness of these tariffs.

After the Commission issued its suspension order, Jackson Energy requested an informal conference ("IC") to discuss several issues related to the suspension of the tariffs. A telephonic IC was held on October 31, 2011.

During the IC, Jackson Energy explained that, although untariffed, the programs in question had been in effect for a number of years (some for over 20 years). Jackson Energy further explained that its representatives attended an IC on July 19, 2011 in Case No. 2011-00148,¹ East Kentucky Power Cooperative, Inc.'s ("EKPC") recent DSM case in which a Commission Staff attorney generally stated, in response to the discussions at the IC, that "anytime money changed hands" as part of a DSM program, a tariff for the program should be on file. Jackson Energy stated that it submitted the subject tariffs as a result of the attorney's statement.

Now that it has been made aware that Jackson Energy's untariffed DSM programs have been in existence for a number of years, the Commission recognizes the possibility that other jurisdictional gas or electric utilities may have existing DSM programs that are not set out in filed tariffs.

¹ Case No. 2011-00148, Filing of New Demand-Side Management Tariffs by East Kentucky Power Cooperative, Inc. and Eleven of its Member Distribution Cooperatives (Ky. PSC Sept. 30, 2011).

KRS 278.160 provides the foundation for the Commission's conclusion that any program that includes a charge to the customer, provides for any rebate or incentive payment to the customer or a third party, or allows for reduced or discounted rates must be supported by a tariff that sets forth the eligibility, charges, payments, and terms and conditions of the program. Therefore, the lack of tariffs for these DSM programs needs to be addressed.

Although there are several ways to address the situation, the Commission has taken into consideration the fact that many of the programs have been offered for a number of years and the likelihood that a number of customers participate in the existing programs. The Commission believes that the three-step approach set forth below is the most practical and equitable approach to take regarding the untariffed DSM programs and should provide for the uninterrupted continuation of such programs, subject to the review process discussed below.

The Commission will address the situation in the following manner:

1. Each jurisdictional electric utility and major gas utility is required to file a response within 60 days of the date of this letter stating whether it does or does not currently offer any DSM programs that are not set out in its filed tariffs. Each utility that does offer untariffed DSM programs shall include in its response the name of each program and a description of the program. At this time, there is no need to interrupt or suspend any current DSM program.

2. Upon submission of each utility's response disclosing untariffed DSM programs, each such program will be considered accepted until stated otherwise by the Commission. However, each affected utility is required to submit tariffs that set forth the eligibility, charges, payments, and terms and conditions for each untariffed DSM program within four months of the date of this letter.²

3. Upon filing, the tariffs will be reviewed, solely to ensure that they comply with Commission statutes and regulations. Tariffs that are in compliance will be accepted as filed. A review of the reasonableness of each such tariff, if required, will be performed in the utility's next base rate case or other appropriate proceeding. Since some of the programs have already been reviewed and approved, the Commission will provide reasonable notice of its intent to consider the reasonableness of any program.³

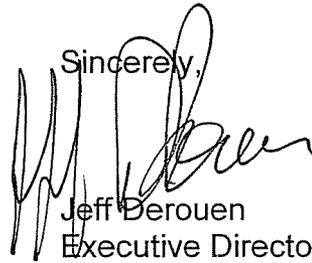
² The cover letter submitted when filing the subject tariffs should reference this DSM letter dated November 29, 2011.

³ Because of the requirements of KRS 278.285, the Demand-Side Management Surcharge Statute, the DSM programs offered by the electric Investor-Owned Utilities are reviewed and approved by the Commission at fairly regular intervals. It is, therefore, not anticipated that any later review of the reasonableness of the untariffed DSM programs will be required for those programs.

For some time now, the Commission, through various media, has consistently encouraged jurisdictional electric utilities to pursue greater implementation of DSM programs. On occasion, the Commission has expressed its concern about the apparent lack of effort in this area by some utilities. When the public or the Commission seeks information about the existence of DSM programs, the primary source for that information is the tariffs that each utility has on file here. The absence of filed tariffs reflecting current DSM programs may have created the perception that some jurisdictional utilities were not pursuing such programs as aggressively as other utilities.

The Commission reiterates its position that any program that includes a charge to the customer, provides for any rebate or incentive payment to the customer or a third party, or allows for reduced or discounted rates should be supported by a tariff that sets forth the eligibility, charges, payments, and terms and conditions. Although the Commission believes that the steps it has outlined are the most practical and equitable, it will consider appropriate modifications, if necessary.

Feel free to contact me or Aaron Greenwell of my Staff at 502-564-3940 if you have any questions or concerns.

Sincerely,

Jeff Derouen
Executive Director

JD/pa



Kentucky Power
101A Enterprise Drive
P O Box 5190
Frankfort, KY 40602-5190
KentuckyPower.com

December 20, 2011

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PUBLIC SERVICE
COMMISSION

Mr. Jeff R. Derouen, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Dear Mr. Derouen:

This letter is in response to your letter dated November 29, 2011 concerning DSM programs that are not included in its filed tariffs.

Kentucky Power Company does not currently offer any DSM programs that are not set out in its filed tariffs.

Should you require additional information, please feel free to call me at 502-696-7004.

Sincerely,

Ranie K. Wohnhas
Managing Director
Regulatory and Finance



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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

February 6, 2012

Mr. Ranie Wohnhas
Managing Director,
Regulatory and Finance
Kentucky Power Company
101A Enterprise Drive
Post Office Box 5190
Frankfort, Kentucky 40602-5190

Dear Mr. Wohnhas:

On December 21, 2011, in your response to the Commission's letter of November 29, 2011, you stated that Kentucky Power Company ("Kentucky Power") does not currently offer any demand-side management ("DSM") programs that are not set out in its filed tariffs. Upon review of the Kentucky Power tariffs on file with the Commission, we have determined that Kentucky Power does have approved tariffs on file for the Demand-Side Management Adjustment Clause ("Tariff D.S.M.C.") and the Pilot Residential and Small Commercial Load Management ("Tariff R.C.L.M."); however, there are no tariffs on file which identify, or set forth the terms and conditions of, the other specific DSM programs offered by Kentucky Power.

As we stated in our letter of November 29, 2011, "...any program that includes a charge to the customer, provides for any rebate or incentive payment to the customer or a third party, or allows for reduced or discounted rates must be supported by a tariff that sets forth the eligibility, charges, payments, and terms and conditions of the program." Tariff D.S.M.C. sets forth the terms and conditions for its application and monthly adjustment factors for each affected rate classification and Tariff R.C.L.M. sets forth the terms and conditions of the pilot load control program. Kentucky Power's tariffs, however, do not set forth the other specific DSM programs offered or the terms and conditions under which those programs are being offered.

In Kentucky Power's most recent DSM case,¹ the Commission approved the following programs that included either a charge, rebate or incentive payment to the customer:

Residential Programs:

High Efficiency Heat Pump -- Mobile Home,
Mobile Home New Construction,
High Efficiency Heat Pump,
Residential Efficient Products,
Residential HVAC Diagnostic and Tune-Up,
Residential Load Management.

Commercial Programs:

High Efficiency Heat Pump/Air Conditioner,
Commercial HVAC Diagnostic and Tune-Up,
Commercial Load Management,
Commercial Incentives.

Since these programs include charges to the customer, provide for rebates or incentive payments to the customer or a third party, or allow for reduced or discounted rates, they should be included in tariffs that set forth the specific terms and conditions of each program. We, therefore, ask that Kentucky Power comply with the request contained in our November 29, 2011 letter. A list of the subject tariffs shall be filed by February 13, 2012, and tariffs that include the terms and conditions of each DSM program offered are to be filed by April 29, 2012.

If you disagree or believe the Commission has erred in this determination, feel free to respond in writing or contact me to request a meeting to further discuss the issue. If you have any other questions or concerns, you may contact Aaron Greenwell of my Staff at 502-564-3940, ext. 273.

Sincerely,



Jeff Derouen,
Executive Director

JD/pa

¹ Case No. 2011-00300, Application of Kentucky Power Company for Collaborative Demand-Side Management Programs and for Authority to Implement a Tariff to Recover Costs and Net Lost Revenues and Receive Incentives Associated with the Implementation Kentucky Power Company for Collaborative Demand-Side Management Programs (Ky. PSC Jan. 23, 2012).



Steven L. Beshear
Governor

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Secretary
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

March 14, 2012

Ranie Wohnhas
Kentucky Power Company
Post Office Box 5190
Frankfort, KY 40602

Re: Untariffed DSM Programs

Dear Mr. Wohnhas:

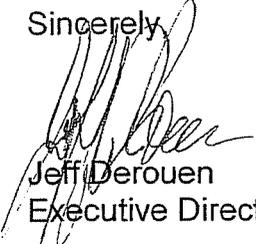
Each electric and gas utility was notified by Commission letter dated November 29, 2011 that any Demand-Side Management ("DSM") program that is offered but not set forth in a tariff must be filed in a tariff within four months of the date of the letter (March 29, 2012). The tariff must set forth the eligibility, charges, payments, and terms and conditions for each DSM program.

On March 9, 2012, representatives of the affected utilities and the Attorney General's Office participated in a conference with Commission Staff to discuss the tariff requirement. Staff indicated that each DSM program offered to customers must be in a tariff if the program includes any of the following: 1) a charge to the customer; 2) a rebate or incentive payment to the customer or a third party; or 3) reduced or discounted rates. At the end of the conference, Staff agreed to a 30 day extension of time for utilities to file the required DSM tariffs.

This letter is being sent to each electric and gas utility to serve as notice that the due date for filing tariffs covering untariffed DSM programs has been extended to Monday, April 30, 2012.

As Staff noted at the conference, any utility that wants to discuss any particular DSM program relative to the tariff requirement should contact Jim Wood to schedule a meeting. Otherwise, feel free to contact me or Aaron Greenwell of my Staff at 502-564-3940 if you have any questions or concerns.

Sincerely,



Jeff Derouen
Executive Director

JD/ag

cc: Hon. Jennifer Hans
Office of Attorney General
Commonwealth of Kentucky