

December 14, 2015

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ELECTRONICALLY FILED

Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
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**RE: Case No. 2015-00271 – Update On The Status Of Kentucky Power
Company’s Appliance Recycling Program**

Dear Mr. Derouen:

Kentucky Power Company’s Appliance Recycling Program (Tariff Sheet 22-15) is part of the Company’s Demand-Side Management Program. It was approved by the Commission’s June 22, 2015 Order in Case No. 2014-00396. The program previously was operated on behalf of Kentucky Power by JACO Environmental, Inc. of Bothell, Washington. Under the program, JACO collected operable secondary refrigerators and freezers from residential customers and recycled the units in an environmentally responsible fashion. Participating residential customers received an incentive payment for participating in the program.

Kentucky Power entered into the contract with JACO to operate the Company’s Appliance Recycling Program following the issuance and review of a request for proposals by the Company’s affiliate, American Electric Power Service Corporation, on behalf of Kentucky Power and certain other Kentucky Power affiliates.

As Kentucky Power previously informed Staff and the members of the Company’s DSM Collaborative, JACO was placed in receivership on November 18, 2015 by order of the Superior Court of Washington for King County. News reports indicate JACO operated appliance recycling programs in approximately 20 states prior to being placed in receivership.

**A. Immediate Action Taken By Kentucky Power To Address The Effects
Of The Receivership.**

Upon being placed in receivership, JACO suspended appliance pick-up and incentive payment services to Kentucky Power’s customers. Kentucky Power terminated its contract with JACO on November 24, 2015 pursuant to the terms of its contract with JACO. Further, as a result of JACO being placed in receivership, certain incentive payment checks issued by JACO

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to participants in Kentucky Power's Appliance Recycling Program were rejected for payment by the drawee bank.

Upon learning of JACO's receivership, Kentucky Power took steps to inform and protect the Company's customers. The Company used an automated telephone system to notify the 92 customers scheduled for pick-up in November and December that the program had been suspended and that the pick-ups would not be made as scheduled. Subsequently, the Company followed up with these customers with a second telephone call. This call was made by an individual Company employee. In addition, an announcement of the program suspension also was posted to the Company's webpage, and customers were provided a toll-free number to contact the Company's Customer Call Center with any questions.

Kentucky Power also notified by letter 263 program participants who were issued incentive payment checks that might have been rejected for payment by the bank on which they were drawn. That letter informed the customer that Kentucky Power would replace any rejected incentive payment check, and would reimburse any affected customer for bank fees resulting from the check being rejected. Subsequently, JACO provided Kentucky Power further information regarding participants whose checks were returned as a consequence of JACO's receivership. Kentucky Power followed up with a telephone call to these customers.

B. Customer Communications As A Result Of The JACO Receivership And Suspension Of The Program.

Since the Company's Appliance Recycling Program was suspended in November 2015, Kentucky Power has received approximately 37 inquiries from customers. Kentucky Power worked diligently to answer customer inquiries and address any concerns. Most customers have been satisfied with Kentucky Power's efforts and responses.

Kentucky Power has begun issuing some replacement incentive checks.

C. Kentucky Power's Efforts To Resume Operation Of Its Appliance Recycling Program.

ARCA Recycling, Inc. ("ARCA"), Minneapolis, Minnesota, also submitted a response to the Company's request for proposals to operate Kentucky Power's Appliance Recycling Program. It is Kentucky Power's understanding that ARCA currently operates appliance recycling programs for participating members of East Kentucky Power Cooperative, Inc.

American Electric Power Service Corporation currently is negotiating the terms of a contract under which ARCA would operate Kentucky Power's Appliance Recycling Program. Although the contract has not yet been finalized, Kentucky Power is hopeful an agreement is

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imminent, and that a contract can be executed soon thereafter. If an agreement is reached with ARCA, Kentucky Power believes the program may be restarted sooner than otherwise would be possible because of ARCA's current operations in eastern Kentucky.

D. Other Effects Of The Temporary Program Suspension.

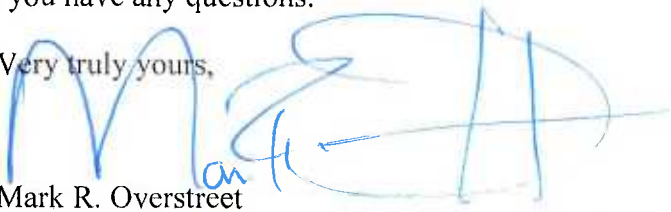
Kentucky Power believes its ongoing efforts to secure a replacement implementation contractor for its Appliance Recycling Program should not affect the prosecution of this case. In this respect, the Appliance Recycling Program is no different from other programs proposed in this case where Kentucky Power does not yet have an implementation contractor in place.

Kentucky Power does not anticipate it will achieve its 2015 expenditure and incentive budget for the Appliance Recycling Program. Notwithstanding the shortfall in meeting the budgeted amount for the Appliance Recycling Program, Kentucky Power anticipates meeting the overall 2015 DSM budget.

Kentucky Power will continue to keep the Commission, Sierra Club, and members of the Company's DSM Collaborative informed of future developments with the program. In addition, if Staff believes an informal conference would be useful to address any further questions or concerns, Kentucky Power would be pleased to participate in such an informal conference.

Please do not hesitate to contact me if you have any questions.

Very truly yours,


Mark R. Overstreet

MRO

cc: Jennifer B. Hans
Joe F. Childers
Laurie Williams