

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Application Of Kentucky Power Company)
For Authority To Deviate From The Ten)
Percent Limitation On Variations In) Case No. 2016-00143
Vegetation Management Expenditures)

APPLICATION

Kentucky Power Company applies to the Public Service Commission of Kentucky for authority to modify its September 2015 projected vegetation management expenditures in the Hazard and Pikeville districts in 2016 by more than ten percent. In support of its application, Kentucky Power states:

APPLICANT

1. 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 kentucky_regulatory_services@aep.com Kentucky Power is engaged in the generation, purchase, transmission, distribution, and sale of electric power. The Company serves approximately 170,000 retail customers in the following 20 counties

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 April 8, 2016 Certificate of Existence is attached as **EXHIBIT 1**.

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.

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

Kentucky Power's Distribution Vegetation Management Program

3. Kentucky Power's cycle-based distribution vegetation management program was established beginning July 1, 2010 in conformity with the Commission's June 28, 2010 Order in Case No. 2009-00459.² The *2010 Order* approved rates designed to produce, in part, an additional \$10 million annually. In return, Kentucky Power agreed to increase its annual distribution vegetation management operation and maintenance ("O&M") expenditures from \$7,237,965 to \$17,237,965³ as a means of transitioning the Company to a cycle-based vegetation management plan.

4. The *2010 Order* also established semi-annual reporting requirements for the operation of Kentucky Power's distribution vegetation management program. In September of each year Kentucky Power is required to file a detailed

² Order, *In the Matter of: Application Of Kentucky Power Company For A General Adjustment Of Electric Rates*, Case No. 2009-00459 (Ky. P.S.C. June 28, 2010) ("*2010 Order*").

³ *Id.*, at 4-5.

distribution vegetation management work plan for the upcoming year. The work plan forecasts Kentucky Power's vegetation management expenditures and the quantity of vegetation management work to be performed over the course of the upcoming year. The forecasts are provided on both a total-Company basis, and by each of the Company's three districts (Ashland, Pikeville and Hazard). The work plan also describes the planned work on a circuit-by-circuit basis, including the circuit miles to be cleared and the projected O&M expenditures for each circuit.

5. On or before April 1 of each year Kentucky Power files a detailed report of the prior year's distribution vegetation management activity. The report provides information by circuit and district concerning O&M expenditures and vegetation management work performed. Similar information is provided on a Company-total basis.

6. In Case No. 2014-00396 Kentucky Power requested leave to modify the distribution vegetation management program established by the *2010 Order*. Among the modifications requested were additional funding for the Company's distribution vegetation management program, and the establishment of an interim cycle of work ("Task 2"). Subsequently, Kentucky Power entered into a settlement agreement with certain parties to Case No. 2014-00396 that also provided for modifications to the then existing distribution vegetation management program.

7. Under the modified distribution vegetation management plan, Kentucky Power projected that it would be able to transition to a five-year distribution vegetation management cycle on or about July 2019.

8. By Order dated June 22, 2015, the Commission approved the settlement agreement and proposed modifications to the existing distribution settlement agreement.⁴ The Commission in part conditioned its approval of the settlement on the Company's agreement that:

Kentucky Power must seek prior-Commission approval before altering any proposed spending that deviates by 10 percent or more from the total amount or within each Division as set forth in an annual filing on September 30.⁵

On June 26, 2015, Kentucky Power accepted the required conditions to the Commission's approval of the settlement agreement.

THE 2016 DISTRIBUTION VEGETATION MANAGEMENT PLAN

9. On September 29, 2015, Kentucky Power filed its 2016 distribution vegetation management work plan ("2016 Plan"). The 2016 Plan projected the following distribution vegetation management O&M and capital expenditures by district:

⁴ Order, *In the Matter of: Application Of Kentucky Power Company For A General Adjustment Of Electric Rates*, Case No. 2014-00396 at 74-78 (Ky. P.S.C. June 22, 2015) ("2015 Order").

⁵ 2015 Order at 77.

2016 Plan Expenditures				
<u>District</u>	<u>Total Scheduled Vegetation Management O&M Expenditures</u>	<u>Unscheduled Reactive O&M Vegetation Management Expenditures</u>	<u>Total O&M Expenditures</u>	<u>Forestry Capital</u>
Ashland	\$8,112,017	\$35,000	\$8,147,017	\$480,394
Hazard	\$6,516,267	\$250,238	\$6,766,505	\$306,907
Pikeville	\$12,573,625	\$173,913	\$12,747,538	\$735,024
Total	\$27,201,909	\$459,151	\$27,661,060	\$1,522,325

10. Kentucky Power seeks authority by this application to modify the 2016 district vegetation management expenditure targets in accordance with the plan below:

Revised 2016 Plan Expenditures				
<u>District</u>	<u>Total Scheduled Vegetation Management O&M Expenditures</u>	<u>Unscheduled Reactive O&M Vegetation Management Expenditures</u>	<u>Total O&M Expenditures</u>	<u>Forestry Capital</u>
Ashland	\$8,229,806	\$35,000	\$8,264,806	\$609,943
Hazard	\$5,029,064	\$239,066	\$5,268,130	\$539,101
Pikeville	\$13,968,749	\$215,334	\$14,131,662	\$940,741
Total	\$27,227,619	\$436,979	\$27,664,598	\$2,089,785⁶

⁶ The total 2016 Company revised vegetation management budget is \$2,433,956. The \$344,171 difference between the total 2016 vegetation management capital budget and the amount above represents planned vegetation management capital expenditures in 2016 for circuits other than Task

11. The projected O&M expenditures under the revised 2016 vegetation management targets deviate from those originally proposed as follows:

Deviation Between 2016 Plan Expenditures And 2016 Revised Plan Expenditures				
<u>District</u>	<u>Total O&M Expenditures As Proposed In 2016 Plan</u>	<u>Total O&M Expenditures As Proposed In 2016 Revised Plan</u>	<u>Dollar Amount Of Deviation</u>	<u>Percentage Deviation</u>
Ashland	\$8,147,017	\$8,264,806	\$117,789	1.45%
Hazard	\$6,766,505	\$5,268,130	(\$1,487,203)	(22.82%)
Pikeville	\$12,747,538	\$14,131,662	\$1,395,124	11.1%
Total	\$27,661,060	\$27,664,598	\$25,710	0.1%

12. The projected capital expenditures under the revised vegetation management targets deviate from those originally proposed as follows:

Deviation Between 2016 Plan Expenditures And 2016 Revised Plan Expenditures				
<u>District</u>	<u>Total Capital Expenditures As Proposed In 2016 Plan</u>	<u>Total Capital Expenditures As Proposed In 2016 Revised Plan</u>	<u>Dollar Amount Of Deviation</u>	<u>Percentage Deviation</u>
Ashland	\$480,394	\$609,943	\$129,549	26.97%
Hazard	\$306,907	\$539,101	\$232,194	75.66%
Pikeville	\$735,024	\$940,741	\$205,717	27.99%
Total	\$1,522,325	\$2,089,785	\$567,460	37.28%

13. Kentucky Power projects that with the modified expenditure targets it will be able to maintain or increase the mileage vegetation management work targets set out in the 2016 Work Plan for each of the Company's three districts:

Circuit Mile Targets By District				
<u>District</u>	<u>Task 1 As Proposed</u>	<u>Task 1 As Revised</u>	<u>Task 2 As Proposed</u>	<u>Task 2 As Revised</u>
Ashland	344	394	210	210
Hazard	221	221	255	255
Pikeville	421	585	306	306
Total	986	1200	771	771

14. EXHIBIT 2 provides the 2016 projected expenditures and work on a circuit-by-circuit basis.

BASIS FOR REQUESTED AUTHORITY TO DEVIATE

15. Kentucky Power exceeded the 2015 for Task 1 work targets provided for in its 2015 distribution vegetation management work plan by 45% (449 circuit-miles above target), and 17% (63 circuit-miles above target) for Task 2 work. As a result, during 2015 Kentucky Power was able to complete, in addition to its 2015 targets, Task 1 or Task 2 work on 512 circuit-miles scheduled for re-clearing in 2015-2016 or 2016.

16. As of December 31, 2015 the Company had completed approximately 70% of the Task 1 work system-wide. Task 1 work completed by district as of December 31, 2015 was:

Task 1 Work Completed By District As Of December 31, 2015	
<u>District</u>	<u>Percentage of Task 1 Work Completed</u>
Ashland	66%
Hazard	81%
Pikeville	64%
Total	70%

The differing completion percentages to date among the three district resulted from differences in vegetation density among the districts, differences in primary distribution line miles in each of the districts, and differences in the number of crews required to be added and trained in each of the districts.

17. As of December 31, 2105, the circuit-miles of Task 1 work remaining to be completed by district was:

Task 1 Work Remaining To Be Completed	
<u>District</u>	<u>Circuit Miles Of Task 1 Work To Be Completed</u>
Ashland	843
Hazard	512
Pikeville	1054
Total	2409

18. The proposed modifications to the 2016 Plan will permit Kentucky Power to complete the transition to a five-year cycle by approximately the same date in each of its three districts. Kentucky Power currently projects that with the proposed modifications to its previously submitted 2016 Plan it will be able to transition to a five year cycle (Task 3) vegetation management plan in each of the districts on or before September 30, 2018.

19. Modifying the 2016 Plan will allow the Company to address the differentials in the Task 1 completion percentages among its three districts and will permit Kentucky Power to deploy its vegetation management resources in the most efficient manner. In addition, transitioning to a five-year vegetation management cycle in each district on approximately the same date is equitable.

EXHIBITS

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

COMMUNICATIONS

21. The Applicant respectfully requests that communications in this matter be transmitted electronically to:

Mark R. Overstreet
STITES & HARBISON PLLC
moverstreet@stites.com

Kentucky Power Company
[Kentucky regulatory services@aep.com](mailto:Kentucky_regulatory_services@aep.com)

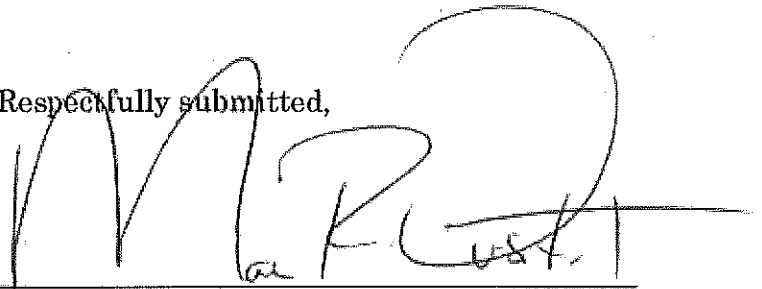
ON BEHALF OF KENTUCKY POWER

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

- (1) Approving Kentucky Power Company's revised 2016 distribution
vegetation management plan;
- (2) Granting Kentucky Power authority to deviate from its 2016
Vegetation Management Work Plan as filed September 29, 2015; and
- (3) Granting all other required relief or approvals.

This 13th day of April, 2016.

Respectfully submitted,



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COUNSEL FOR:
KENTUCKY POWER COMPANY

LIST OF EXHIBITS

EXHIBIT 1: April 8, 2016 "Certificate of Existence" for Kentucky Power Company issued by the Secretary of State of the Commonwealth of Kentucky.

EXHIBIT 2: Kentucky Power Company's Revised 2016 Vegetation Management Work Plan