

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

Application Of Kentucky Power Company For	)	
(1) Authority To Expand Its Appliance Recycling	)	
Program To Include Commercial Customers; (2)	)	
Authority To Recover Costs And Net Lost	)	
Revenues, And To Receive Incentives Associated	)	
With The Implementation Of The Programs; (3)	)	Case No. 2016-00281
Report In Compliance With The Commission's	)	
March 11, 2015 Order In Case No. 2015-00271	)	
Regarding Industrial Customers; (4) Leave To	)	
Dispense With Filing Monthly DSM Reports;	)	
and (5) All Other Required Approvals and Relief	)	

APPLICATION

Kentucky Power Company applies to the Public Service Commission of Kentucky pursuant to KRS 278.285(1) for an Order: (1) authorizing Kentucky Power to expand its Appliance Recycling Program (Tariff Sheet 22-15) to include commercial customers with peak billing demand of less than 100 kW and to make minor modifications to other programs; (2) approving the Company's recovery through its Demand-Side Management Clause (Tariff Sheets 22-1 to 22-2) of its full costs, including lost revenues and incentives, associated with the Company's DSM programs as modified through this application, and approving the proposed tariff changes; (3) granting the Company leave to dispense with filing monthly DSM reports; (4) approving modifications to Tariff Sheets Nos. 22-1 and 22-2 (Demand-Side Adjustment Clause), 22-7 (Residential Efficient Products), 22-15 (Appliance

Recycling), 22-16 and 22-18 (Whole House Efficiency); and (5) granting all other required relief or approvals. In addition, Kentucky Power is reporting as directed by the Commission in its Order in Case No. 2015-00271<sup>1</sup> regarding the Company's industrial customers.

In support thereof Kentucky Power states:

APPLICANT

1. Kentucky Power was organized in 1919 under the laws of the Commonwealth of Kentucky.<sup>2</sup> 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](mailto:kentucky_regulatory_services@aep.com). Kentucky Power is engaged in the generation, purchase, transmission, distribution and sale of electric power. The Company serves approximately 169,500 retail customers in the following 20 counties 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. [807 KAR 5:001, Section 14].

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<sup>1</sup> *In The Matter Of: Application Of Kentucky Power Company For (1) Authority To Modify Certain Existing Demand-Side Management Programs; (2) Authority To Implement New Programs; (3) Authority To Discontinue Certain Existing Demand-Side Management Programs; (4) Authority To Recover Costs And Net Lost Revenues, And To Receive Incentives Associated With The Implementation Of The Programs; And (5) All Other Required Approvals and Relief, Case No. 2015-00271 (Ky. P.S.C. March 11, 2016) ("2015 DSM Order").*

<sup>2</sup> 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 August 5, 2016 Certificate of Existence is attached as EXHIBIT 1.

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

KENTUCKY POWER'S EXISTING DSM/EE PROGRAMS

3. Kentucky Power has offered DSM/EE programs since 1994. It currently offers eight residential (including the Energy Education for Students Program that is offered to schools in the Company' service territory for the benefit of their students) and five commercial DSM/EE programs:

- Targeted Energy Efficiency;
- New Manufactured Homes;
- Energy Education For Students;
- Community Outreach;
- Residential Efficient Products;
- New Construction;
- Express Install;
- School Energy Manager;
- Retro-Commissioning;
- Commercial Incentive Prescriptive Custom Program;
- Residential Home Performance;
- Appliance Recycling; and
- Whole House Efficiency.

4. The most recent order approving Kentucky Power's existing DSM/EE programs was the 2015 DSM Order, which was modified on rehearing by Order dated April 11, 2015.<sup>3</sup>

5. The School Energy Manager Program consisted of two subparts. The 2014 School Energy Manager Program, which was limited to Lawrence and adjoining counties in the Company's service territory ("2014 School Energy Manager Program"), was approved by the Commission by Order dated July 25, 2014.<sup>4</sup> Pursuant to the terms of the July 2, 2013 Settlement Agreement approved by the Commission's October 7, 2013 Order in Case No. 2012-00578,<sup>5</sup> the costs of the 2014 School Energy Manager Program were funded solely by the Company and were not to be recovered through the Company's DSM surcharge. The Company's funding of the program terminated June 30, 2016 in accordance with the Mitchell Transfer Order.

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<sup>3</sup> Order on Rehearing, *In The Matter Of: Application Of Kentucky Power Company For (1) Authority To Modify Certain Existing Demand-Side Management Programs; (2) Authority To Implement New Programs; (3) Authority To Discontinue Certain Existing Demand-Side Management Programs; (4) Authority To Recover Costs And Net Lost Revenues, And To Receive Incentives Associated With The Implementation Of The Programs; And (5) All Other Required Approvals and Relief*, Case No. 2015-00271 (Ky. P.S.C. April 11, 2015).

<sup>4</sup> Order, *In The Matter Of: The Application Of Kentucky Power Company For (1) Approval of A School Energy Manager Program; And (2) For All Other Required Approvals And Relief*, Case No. 2014-00178, (Ky. P.S.C. July 25, 2014) ("2014 School Manager Program Order").

<sup>5</sup> Order, *In the Matter of: The Application of Kentucky Power Company For: (1) A Certificate of Public Convenience And Necessity Authorizing The Transfer To the Company Of A Fifty Percent Undivided 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) For All Other Required Approvals And Relief*, 2012-00578 (Ky. P.S.C. October 7, 2013) ("Mitchell Transfer Order").

6. The 2015 School Energy Manager Program was approved by Order of the Commission dated August 3, 2015.<sup>6</sup> The 2015 School Energy Manager Program extended the program to the 15 school districts in the 13 counties in its service territory not eligible to participate in the 2014 School Energy Manager Program. In the 2015 School Energy Manager Program Order the Commission also authorized Kentucky Power to recover through its DSM tariff the \$200,000 annual funding for the 2015 School Energy Manager Program.<sup>7</sup>

7. The School Energy Manager program has been approved through July 31, 2018.<sup>8</sup> Kentucky Power's remaining DSM programs have been approved through December 31, 2018.<sup>9</sup>

#### DSM/EE SAVINGS

8. Since their implementation, Kentucky Power's DSM/EE programs have produced cumulative energy savings of approximately 666,572,849 kWh (723,897,849 kWh when "avoided" transmission and distribution line losses are accounted for) and an approximate cumulative winter demand reduction of 39,744 kW (44,672 kW when "avoided" transmission and distribution line losses are accounted for.) Through June 30, 2016, the year to date reductions totaled approximately 13,678,209 kWh (14,854,535 kWh when "avoided" transmission and

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<sup>6</sup> Order, *In the Matter of: Application of Kentucky Power Company For (1) Approval Of Modified School Manager Program And (2) For All Other Required Approvals And Relief*, Case No. 2015-00189 (Ky. P.S.C. August 3, 2015) ("2015 School Energy Manager Program Order").

<sup>7</sup> *Id.* at 7-8.

<sup>8</sup> *Id.*

<sup>9</sup> 2015 DSM Order at 17.

distribution line losses are accounted for) and 2,113 kW reduction in winter demand (2,375 kW when “avoided” transmission and distribution line losses are accounted for.)

#### DSM/EE PROGRAM OPERATIONS

9. Year-to-date through June 30, 2016 the Company collected \$2,556,445 through the DSM factor. For the same period Kentucky Power’s DSM program costs and incentive payments and realized lost revenues totaling \$4,904,886 (exclusive of the Company’s contributions to the 2014 School Energy Manager program costs). For the entirety of the Company’s offer of DSM/EE programs it has incurred, through June 30, 2016, \$46,465,461 in program costs, lost revenues, and incentive payments (exclusive of the Company’s contributions to the 2014 School Energy Manager program costs), and received \$38,828,912 in revenue through the DSM factor.

10. Kentucky Power’s DSM/EE programs are administered in conformity with the Company’s tariffs:

- (a) Targeted Energy Efficiency Program (Tariff Sheet 22-3);
- (b) New Manufactured Homes (Tariff Sheet 22-4);
- (c) Energy Education For Students (Tariff Sheet 22-5);
- (d) Community Outreach (Tariff Sheet 22-6);

- (e) Residential Efficient Products Program (Tariff Sheet 22-7);
- (f) New Construction (Tariff Sheet 22-8);
- (g) Express Install (Tariff Sheet 22-9);
- (h) School Energy Manager (Tariff Sheet 22-10);
- (i) Retro-Commissioning (Tariff Sheet 22-12);
- (j) Commercial Incentive Prescriptive Custom Program (Tariff Sheet 22-13);
- (k) Residential Home Performance (Tariff Sheet 22-14);
- (l) Appliance Recycling (Tariff Sheet 22-15); and
- (m) Whole House Efficiency (Tariff Sheets 22-16 to 22-18).

THE PROPOSED MODIFICATION OF THE APPLIANCE RECYCLING PROGRAM AND OTHER MODIFICATIONS

11. Kentucky Power seeks authority to modify its existing Appliance Recycling Program to permit the Company's commercial customers with peak billing demand of less than 100 kW to participate upon the same terms and conditions as residential customers currently participate. In connection with the expansion of the Appliance Recycling Program Kentucky Power is modifying Tariff Sheet 22-15.

12. The modified Appliance Recycling Program is projected to be cost-effective under the low [TRC 1.10 (2017) – 1.22 (2025)], mid [TRC 1.11 (2017) – 1.23 (2025)], and high [TRC 1.09 (2017) – 1.21 (2025)] scenarios.

13. The estimated budget for the modified Appliance Recycling Program for 2017 is included as part of the DSM 2017 Program Year Budget attached as **EXHIBIT 6** to this application. The 2017 budget will be updated, and budgets for 2018 and 2019 prepared based on the accepted vendor proposals.

14. The projected net energy and demand savings for the modified Appliance Recycling Program are provided in **EXHIBIT 2**.

15. Kentucky Power also is proposing to modify the text of the Residential Efficient Products tariff (Tariff Sheet 22-7) and the Whole House Efficiency tariff (Tariff Sheets 22-16 and 22-18) as described at pages 5-6 of the testimony of John A. Rogness. The Company further is updating Tariff Sheets 22-1 and 22-2.

COMPLIANCE WITH THE COMMISSION'S MARCH 11, 2015 ORDER  
IN CASE NO. 2015-00271

16. In the 2015 DSM Order, the Commission found:

[I]n its next application for approval of its DSM programs and surcharge factors, Kentucky Power should identify: (1) the number of customers that it has heretofore classified as industrial for purposes of DSM op out pursuant to KRS 278.285(3); (2) of those, the number of customers that can be characterized as energy-intensive users and support for that determination; (3) the number of customers that, in spite of having SIC code designations, are not energy-intensive



customers. To the extent that customers are falling into the last category, Kentucky Power should provide an evaluation of cost/effective DSM/EE programs that could be developed or modified to benefit them.<sup>10</sup>

17. Kentucky Power undertook the evaluations identified by the Commission in its 2015 DSM Order. The results of those evaluations are detailed at pages 7-13 of the testimony of John A. Rogness.

#### Monthly DSM Reports

18. In accordance with the Orders of the Commission,<sup>11</sup> Kentucky Power continues to file monthly reports of its direct program expenditures on cost-effective Commission-approved DSM/EE programs and its plans to satisfy the expenditure requirements of the Mitchell Transfer Order.

19. Under the terms of the Mitchell Transfer Order, Kentucky Power agreed to increase its expenditures on cost-effective Commission-approved DSM/EE programs to \$6 million by 2016, and to maintain the expenditures at that level through 2018.<sup>12</sup> Thereafter, the Company is required to seek Commission approval

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<sup>10</sup> 2015 DSM Order at 16; Finding 3.

<sup>11</sup> See e.g. Order, *In The Matter Of: Application Of Kentucky Power Company For (1) Re-Authorization Of Certain Of Its Existing Programs; (2) Authority To Discontinue The Commercial And Residential HVAC Diagnostic And Tune-Up Programs; (3) Authority To Amend Its Demand Side Management Program To Implement Residential Home Performance And Residential Appliance Recycling Programs; (4) Authority To Recover Costs And Net Lost Revenues, And To Receive Incentives Associated With The Implementation Of The Programs; And (5) All Other Required Approvals and Relief*, Case No. 2014-00271 at 16; Finding 3 (Ky. P.S.C. February 13, 2015); 2015 DSM Order at 16; Finding 4.

<sup>12</sup> Mitchell Transfer Order at 36.

before reducing its expenditures on Commission-approved DSM/EE programs below \$6 million annually.<sup>13</sup>

20. Kentucky Power anticipates that its expenditures on Commission-approved DSM/EE programs will exceed \$6 million annually no later than December 31, 2016.

21. Through June 30, 2016, Kentucky Power's year-to-date total DSM/EE program expenditures were \$2,826,729.<sup>14</sup> The Company projects total Commission-approved DSM/EE expenditures during the second half of 2016 of \$3,395,821<sup>15</sup> for total projected 2016 DSM/EE expenditures of \$6,222,550.<sup>16</sup>

22. Once the Company reaches \$6 million in annual expenditures it will have fulfilled the first part of its obligations with respect to DSM/EE expenditures under the Mitchell Transfer Order. Given the nature of the Commission-approved DSM/EE programs, and its forecasted 2016 expenditures of \$6,222,550 (including \$2,826,729 in actual expenditures through June 30, 2016) and 2017 expenditures of \$6,638,327, Kentucky Power anticipates it will be able to maintain its post-2016 DSM/EE expenditures at or above \$ 6 million annually in conformity with the Mitchell Transfer Order.

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<sup>13</sup> *Id.*

<sup>14</sup> The total is comprised of \$2,084,361 in residential programs expenditures and \$742,368 in commercial program expenditures.

<sup>15</sup> The total is comprised of \$1,991,648 in residential program expenditures \$1,404,173 in commercial expenditures.

<sup>16</sup> The total is comprised of \$4,076,009 in residential program expenditures and \$2,146,541 in commercial program expenditures.

23. Upon attaining \$ 6 million in annual DSM/EE expenditures, the monthly reports, which in substantial part were directed toward providing the Commission current information on the Company's progress in increasing its expenditures on Commission-approved cost-effective DSM/EE programs in conformity with the Mitchell Transfer Order, appear to be no longer required. Accordingly, beginning the later of the issuance of the Commission's Order in this case or the date the Company achieves \$6 million in annual expenditures on Commission-approved, cost-effective DSM/EE programs, Kentucky Power requests that be authorized to discontinue filing the monthly DSM reports.

REVIEW BY THE COMPANY'S DSM COLLABORATIVE.

24. Representatives of the Company's DSM collaborative and Sierra Club met on May 3, 2016 to review updates and performance of DSM programs. The Collaborative met on July 28, 2016 to receive information and to review and approve Kentucky Power's 2015/2016 DSM/EE Status Reports and Schedule C for filing with the Commission.

25. Present at the July 28, 2016 meeting of the Collaborative were representatives of the Big Sandy Community Action Council, LKLP Community Action Council, Our Lady of Bellefonte Hospital, Big Sandy Area Development District, Appalachian Research and Defense Fund, along with representatives of the Company. Representatives of LKLP Community Action Council, Community Action Kentucky, Sierra Club, and the Kentucky Power also participated by telephone.

The members of the collaborative present in person or by telephone voted without objection to approve the 2015/2016 DSM/EE Status Report and the Schedule C being filed with this application. The representative of the Sierra Club did not vote.

26. A copy of the Company's 2015/2016 DSM/EE Status Report is attached as EXHIBIT 3; a copy of Schedule C is attached as EXHIBIT 4.

BASES FOR THE REQUESTED AUTHORITY

(a) The Proposed Modification Of The Appliance Recycling Program Is Consistent With The Commission's October 7, 2013 Order In Case No. 2012-00578

27. On July 2, 2013 Kentucky Power, Kentucky Industrial Utility Customers, Inc., and Sierra Club and its residential intervenors entered into a Stipulation and Settlement Agreement in Case No. 2012-00578. Paragraph 12 of the Stipulation and Settlement Agreement provides in part:

Further, Kentucky Power agrees to increase its aggregate spending on cost-effective DSM and energy efficiency measures through Commission-approved DSM programs to \$4 million in 2014; \$5 million in 2015; and \$6 million in 2016, 2017, 2018.<sup>17</sup>

28. On October 7, 2013, the Commission entered its Order in Case No. 2012-00578 approving, with four modifications, the terms and conditions of the July 2, 2013 Stipulation and Settlement Agreement. None of the modifications affected or otherwise addressed the provision quoted in paragraph 20 above.

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<sup>17</sup> Mitchell Transfer Order, App. A at 9.

29. On October 14, 2013, Kentucky Power filed its acceptance of the four modifications to the Stipulation and Settlement Agreement imposed by the Commission's October 7, 2013 Order.

30. Kentucky Power projects total DSM/EE expenditures of \$6,638,327 during calendar year 2017. A copy of the proposed 2017 Kentucky Power DSM/EE budget is attached as EXHIBIT 6.

31. By this application the Company is seeking all approvals required to modify the existing programs as described in paragraphs 11-15 above.

(b) The Proposed Changes Are Reasonable.

32. KRS 278.285(1) provides that the Commission may "determine the reasonableness of demand-side management plans proposed by any utility under its jurisdiction." The proposed change to the Company's existing DSM/EE programs:

- (a) are intended to produce specific changes in commercial customer consumption patterns;
- (b) are consistent with Kentucky Power's 2013 Integrated Resource Plan;
- (c) will not unreasonably prejudice or disadvantage any class of customers; and
- (d) are projected to be cost-effective.

In addition, the Company's continuing DSM/EE programs are available, affordable, and useful for all or a significant portion of the Company's residential customers.

### AUTHORIZATION PERIOD

33. To permit an adequate period for the operation and review of such program, Kentucky Power respectfully requests that the modified Appliance Recycling Program and any other modifications be authorized through December 31, 2018.

### TARIFFS AND DSM SURCHARGE

34. Proposed form tariffs for the modified Appliance Recycling program (Tariff Sheet 22-15) and text changes to the Company's Residential Efficient Products tariff (Tariff Sheet 22-7) and the Whole House Efficiency tariff (Tariff Sheets 22-16 and 22-18) are attached as EXHIBIT 7 to this Application. The Company requests that its full costs, as that term is defined in the Company's Tariff D.S.M.C., associated with the Company's entire DSM/EE portfolio be recovered through Kentucky Power's Demand-Side Management Clause (Tariff Sheets 22-1 and 22-2).

35. To permit the recovery of program costs and lost revenues and incentives and under recovery, Kentucky Power proposes to increase the residential DSM factor from \$0.003159/kWh to \$0.007755/kWh , and increase its commercial DSM factor from \$0.001835/kWh to \$0.004206/kWh. Support for the calculation of the proposed DSM factors is provided by EXHIBIT 4 [Schedule C].

36. Kentucky Power does not propose as part of this Application any other modifications to its Demand-Side Management Clause or its DSM tariffs.

Testimony

37. The testimony of John A. Rogness III is filed in support of this application.

Exhibits

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

Communications

39. Kentucky Power respectfully requests that communications in this matter be transmitted electronically to:

Mark R. Overstreet  
STITES & HARBISON PLLC  
[moverstreet@stites.com](mailto: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) authorizing Kentucky Power to modify its Appliance Recycling Program and applicable tariff and to operate the program as modified through December 31, 2018;

(2) approving the modification of Kentucky Power Company's residential DSM factor to \$0.007755/kWh and its commercial DSM factor to \$0.004206/kWh to permit the Company's recovery through its Demand-Side Management Clause of its full costs, including lost revenues and incentives, associated with both the Company's proposed DSM/EE portfolio;

(3) Modifying Tariff Sheets Nos. 22-1, 22-2, 22-7, 22-15, 22-16, and 22-18;

(4) accepting the Company's report in response to the Commission's March 11, 2016 Order in Case No. 2015-00271;

(5) eliminating the requirement that the Company file monthly DSM reports; and

(6) granting all other required relief or approvals.

This 15<sup>th</sup> day of August, 2016.

Respectfully submitted,



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COUNSEL FOR:  
KENTUCKY POWER COMPANY



## LIST OF EXHIBITS

- EXHIBIT 1:** August 5, 2016 “Certificate of Existence” for Kentucky Power Company issued by the Secretary of State of the Commonwealth of Kentucky.
- EXHIBIT 2:** Projected net energy and demand savings for the modified Appliance Recycling Program.
- EXHIBIT 3:** DSM/EE Status Report.
- EXHIBIT 4:** “Schedule C.”
- EXHIBIT 5:** Minutes of the July 28, 2016 Kentucky Power Company Collaborative meeting.
- EXHIBIT 6:** 2017 Kentucky Power Company DSM/EE Budget.
- EXHIBIT 7:** Proposed Form Tariff Sheets Tariff Sheets Nos. 22-1, 22-2, 22-7, 22-15, 22-16, and 22-18.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate electronic copy on disc of the foregoing Application and accompanying exhibits and testimony were served as indicated below upon:

Shannon Fisk  
Earthjustice  
1617 JFK Boulevard, Suite 1675  
Philadelphia, PA 19103

Rebecca Goodman  
Lawrence W. Cook  
Kentucky Attorney General's Office  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204

*By Overnight Delivery*

*By Overnight Delivery*

on this the 15<sup>th</sup> day of August, 2016.

A handwritten signature in blue ink, appearing to read 'Mark R. Overstreet', is written above a horizontal line. The signature is stylized and cursive.

Mark R. Overstreet