

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

Electronic Investigation Of The Reasonableness     )  
Of The Demand Side Management Programs And     )     Case No. 2017-00097  
Rates Of Kentucky Power Company                     )

**MOTION OF KENTUCKY POWER COMPANY FOR INTERLOCUTORY ORDER  
REGARDING PROGRAM ACTIVITY DURING THE PENDENCY OF INVESTIGATION**

Kentucky Power Company moves the Commission to enter an interlocutory order regarding Demand-Side Management program activity during the pendency of this investigation:

1. On February 23, 2017 the Commission initiated this investigation “to review the appropriateness of Kentucky Power’s DSM programs, the level of spending on such programs, and the reasonableness of the resulting DSM rates.”<sup>1</sup> In particular, the Commission indicated in its order that “[c]onditions have materially changed since the stipulation agreement was entered into, and subsequent Commission orders addressing Kentucky Power’s DSM programs and the Commission must evaluate whether continuing the current programs and level of spending are reasonable and in the best interests of customers, given the circumstances discussed herein.”<sup>2</sup> In light of these materially changed conditions the Commission indicated “immediate action” was required.<sup>3</sup>

2. Kentucky Power currently is under order of the Commission to maintain a

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<sup>1</sup> Order, *In The Matter Of: Electronic Investigation Of The Reasonableness Of The Demand Side Management Programs And Rates Of Kentucky Power Company*, Case No. 20017-000097 at 6 (Ky. P.S.C. February 23, 2017).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* at 3.

minimum annual level of DSM spending of at least \$6 million through 2018.<sup>4</sup> Thereafter, Kentucky Power must seek Commission approval before reducing its annual DSM expenditure level below \$6 million.<sup>5</sup>

3. The orders of the Commission “continue in force ... until revoked or modified by the Commission....” KRS 278.390.

4. The current procedural schedule in this investigation extends to at least June 9, 2017, the date for Kentucky Power to file its responses to supplemental interrogatories and requests for production of documents. The Company anticipates this means the Commission will issue its decision sometime after June 9, 2017.

5. Kentucky Power provides the following to ensure the Commission is aware of scheduled activity in the interim period between now and the issuance of the Commission’s order. The Company is required by Kentucky law to proceed in conformity with the Commission’s existing orders requiring the expenditure of at least \$6 million in DSM program expenditures in 2017 and thereafter unless and until ordered by the Commission to do otherwise. Absent any Commission direction otherwise, Kentucky Power must address the following issues by May 1, 2017 in connection with the continuing development and administration of its DSM portfolio:

- (a) The Commission in its December 29, 2016 order in Case No. 2016-00281<sup>6</sup>

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<sup>4</sup> Order, *In the Matter of: 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 Requirements; and (5) All Other Required Approvals and Relief*, Case No. 2012-00578 at 35 (Ky. P.S.C. October 7, 2013).

<sup>5</sup> *Id.* at App. B.

<sup>6</sup> Order, *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 Recovery Costs And Net Lost Revenues*,

authorized the expansion of Kentucky Power's Appliance Recycling program to small commercial customers. Kentucky Power is in negotiations with the vendor supporting the residential appliance recycling program to extend the program to small commercial customers in conformity with the Commission's order. Absent Commission direction to the contrary, Kentucky Power anticipates executing the change order expanding the appliance recycling program on or about May 1, 2017.

(b) Kentucky Power is required to seek approval of its 2018 DSM program on or before August 15, 2017. Preparatory to doing so, Kentucky Power must investigate and develop DSM program modifications and additions, including contract amendments and change orders, in advance of the August 15, 2017 filing and its July 2017 presentation of the 2018 DSM program to the Company's DSM Collaborative.

(c) As part of its ongoing administration of its DSM portfolio, Kentucky Power reviews the performance of its DSM programs and enters into contract amendments and change orders to address the performance of programs where appropriate. Customer demand for certain of the Company's most successful 2017 DSM programs is exceeding forecasts. For example, two commercial programs are approaching or have exceeded their 2017 vendor contract levels. Reservations for the Express Install Program (Tariff Sheet 22-9) are at approximately 125% of the 2017 contract amount and the vendor has been requested to suspend further marketing. The Company continues to process applications for the Express Install Program but can suspend doing so if directed by the Commission. Reservations for the CIP – Commercial Incentive Prescriptive Custom Program (Tariff Sheet 22-13) currently are at

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*And To Receive Incentives Associated With The Implementation Of The Programs; (3) Report In Compliance With The Commission's March 11, 2015 Order In Case No. 2015-00251 Regarding Industrial Customers; (4) Leave To Dispense With Filing Monthly DSM Reports And (5) All Other Required Approvals and Relief, Case No. 2016-00281 at 4, 10 (Ky. P.S.C. December 29, 2016).*

approximately 66% of the 2017 contract incentive amount and the Company anticipates having to suspend processing applications for the program later this year unless a change order is executed. To meet customer demand for these two commercial programs, Kentucky Power anticipates executing on or before May 1, 2017 change orders with the Express Install Program and Commercial Incentive Prescriptive Custom Program vendors to increase the 2017 contract amounts by \$600,000-\$900,000 and \$275,000 respectively. Kentucky Power anticipates that these actions could result in 2017 total expenditures above the \$6 million minimum.

(d) Ongoing program promotional expenditures, including planned mailings to residential customers concerning the WHE – Whole House Efficiency Program (Tariff Sheet 22-16), are being made. There sometimes is a lag between current promotional activities and resulting customer requests to participate in DSM programs. As a result, ongoing promotional activities may affect customer expectations concerning program availability following the Commission’s resolution of this investigation.

6. In addition, the Company anticipates that in the ordinary course of business additional programmatic decisions will be required after May 1, 2017 and prior to the anticipated post-June 9, 2017 entry of an order in this case if Kentucky Power is to comply with the existing requirement to maintain DSM expenditures at the \$6 million annual level in 2017 and thereafter. Certain activities have substantial lead times. In addition, certain ongoing expenditures and promotion is required if the Company is to maintain existing momentum.

7. As part of its ongoing programmatic, marketing, operational, and future planning activities Kentucky Power will be required, unless otherwise directed by the Commission, to take the actions described in paragraph 5, along with similar actions, on or before May 1, 2017.

8. Kentucky Power recognizes the Commission has an open case in which it will

determine any changes to Kentucky Power's DSM program expenditures. However, to ensure the efficient and cost-effective administration of Kentucky Power's DSM portfolio, Kentucky Power requests an interlocutory order addressing the administration of its DSM portfolio during the pendency of this proceeding.

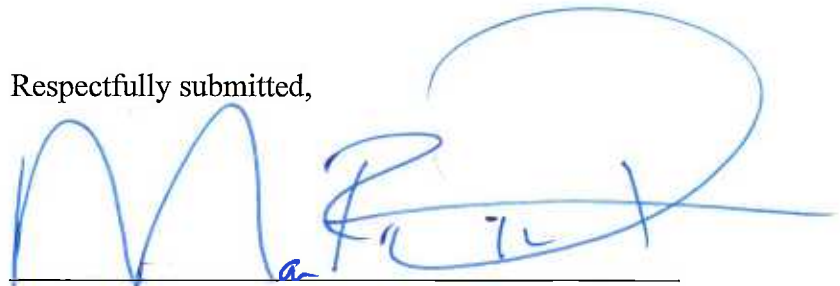
WHEREFORE, Kentucky Power Company requests that the Commission issue an interlocutory order:

(1) Confirming the Company's ongoing obligation during the pendency of this proceeding to administer its DSM portfolio in the ordinary course of business through programmatic, marketing, operational, and future planning activities and expenditures, and declaring whether in administering its DSM portfolio during the pendency of this investigation the Company should distinguish between its commercial and residential programs; and

(2) Otherwise directing the Company in the manner it should administer its DSM portfolio during the pendency of this proceeding and relieving the Company of the obligation in 2017 of achieving the existing \$6 million DSM expenditure level, or such other expenditure level the Commission may ultimately order, including any penalties that might be assessed pursuant to KRS 278.990, if the Company is unable to do so because of its adherence to the Commission's interlocutory order.

This 31<sup>st</sup> day of March, 2017.

Respectfully submitted,



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