

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)	

KENTUCKY POWER COMPANY STATUS REPORT

Kentucky Power Company provides the following report to the Public Service Commission of Kentucky and the parties on the status as of August 31, 2017 of certain of its Demand-Side Management Programs:

1. In its May 4, 2017 interlocutory Order in this proceeding the Commission directed:

Kentucky Power has an ongoing obligation to administer its DSM portfolio in the ordinary course of business during the pendency of this proceeding, but should not expand or increase expenditures on any existing DSM program. Further, Kentucky Power is relieved of the obligation of achieving the existing \$6 million DSM expenditure level in 2017 during the pendency of this proceeding. This proceeding was initiated upon the Commission's own motion based on a finding that immediate action was necessary to review the reasonableness of the level of spending on Kentucky Power's DSM programs, given the significant increase in cost that exacerbated an already bleak economic situation for many of Kentucky Power's customers. It therefore follows that any discretionary increases in the costs of the DSM program should be curtailed during the pendency of this proceeding.¹

2. Kentucky Power implements many of its DSM programs through third-party contractors. The following contracts for third-party services² will expire during the remainder of 2017:

¹ Order, *In The Matter Of: Electronic Investigation Of The Reasonableness Of The Demand Side Management Programs And Rates Of Kentucky Power Company*, Case No, 2017-00097 at 3 (Ky. P.S.C. May 4, 2017) (emphasis supplied).

² Additional third-parties currently under contract with the Company to provide demand-side management services include ARCA Recycling, Inc., DNV GL Energy Services USA, Inc., Lime Energy Services Co., Honeywell International, Inc., and Applied Energy Group, Inc.

<u>Program</u>	<u>Tariff Sheet</u>	<u>Contractor</u>	<u>Expiration Date</u>
Residential Efficient Products (Tariff REP)	Sheet 22-7	CLEARresult Consulting, Inc.	December 31, 2017
Energy Education for Students (Tariff EEFS)	Sheet 22-5	National Energy Education Development Project, Inc.	December 31, 2017
Residential Home Performance	Sheet 22-14	Opower, Inc.	June 30, 2018 ³

3. By orders dated December 29, 2016 in Case No. 2016-00281⁴ and March 11, 2016 in Case No. 2015-00271,⁵ the Commission approved proposed modifications to the existing Residential Efficient Products and Energy Education for Student Programs through December 31, 2018. By order dated February 13, 2015 in Case No. 2014-00271, the Commission approved the Residential Home Performance program for a three-year term.⁶ The administration of Kentucky Power's existing DSM portfolio in the ordinary course of business, including the

³ Services to Kentucky Power customers will be concluded no later than January 2018. The remainder of the contract period will be used by the contractor to evaluate the program.

⁴ 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, 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. 2015-00271 Regarding Industrial Customers; (4) Leave To Dispense With Filing Monthly DSM Reports And (5) All Other Required Approvals and Relief*, Case No. 2016-00281 (Ky. P.S.C. December 29, 2016).

⁵ Order, *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).

⁶ Order, *In the Matter of: The 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 (Ky. P.S.C. February 13, 2015).

continuation of the three programs identified above for their Commission-approved terms, requires that the Company renew, extend, or replace the three expiring contracts.

4. Kentucky Power understands that the Commission is currently reviewing the Company's DSM-portfolio in connection with a Commission-initiated investigation. The Company is seeking to administer the existing program with deference to the Commission's investigation and in conformity with Kentucky Power's obligations under existing Commission Orders. Absent further direction from the Commission, Kentucky Power must act now to permit the administration of the Company's DSM-portfolio in 2018 and beyond. This filing is intended to provide notice to the Commission that subject to further orders of the Commission, and following the Company's regular due diligence and procurement actions, Kentucky Power plans to renew, extend, or replace the expiring contracts and continue the three programs that otherwise would end or be curtailed. Any contract renewal, extension, or replacement will be undertaken at an amount not to exceed the total annual cost of the expiring contract.

5. In conformity with past Commission Orders, Kentucky Power will file with the Commission any new or amended contracts following their execution.

School Energy Manager Program

6. By order dated July 25, 2014 in Case No. 2014-00178,⁷ the Commission approved the Company's proposed eight-county school energy manager program. The eight-county school energy manager program was funded entirely by the payment of \$125,000, in installments of \$75,000 and \$50,000, by Kentucky Power's shareholder to the Kentucky School Boards

⁷ 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).

Association. No demand-side management surcharge funds were used to fund the \$125,000 payment.

7. Kentucky Power proposed in Case No. 2015-00189⁸ a two-year expansion of its then-existing eight-county School Energy Manager program to encompass all school districts within the Company's 20-county service territory. The expansion was to be funded at a cost of \$200,000 a year through the Company's commercial demand-side management surcharge.

8. The expanded school energy manager program was to be administered by the Kentucky School Boards Association. Under the proposed expansion, the additional commercial DSM-surcharge generated funds would be paid by Kentucky Power to KSBA to reimburse participating districts for up to 50 percent of the cost of six additional school energy managers, to reimburse KSBA for overhead costs associated with its administration of the program, and, to the extent not otherwise required, to fund energy efficiency programs in school districts affected by KRS 160.325.

9. Kentucky Power and KSBA entered into a two-year contract for the administration of the expanded school energy manager program. The agreement, which is scheduled to expire September 30, 2017, provided for the payment of \$200,000 annually by Kentucky Power to KSBA for the July 1, 2015-June 30, 2016 and July 1, 2016-June 30, 2017 school years. Kentucky Power made the required payments.

10. As of July 1, 2017, a balance of \$3,038 remains to be expended from the \$125,000 paid by Kentucky Power to KSBA in connection with the eight county School Energy Manager Program.

⁸ Application, *In The Matter Of: Application Of Kentucky Power Company For (1) Approval Of A Modified School Energy Manager Program And (2) For All Other Required Approvals And Relief*, Case No, 2015-00189 (Ky. P.S.C. Filed June 11, 2015).

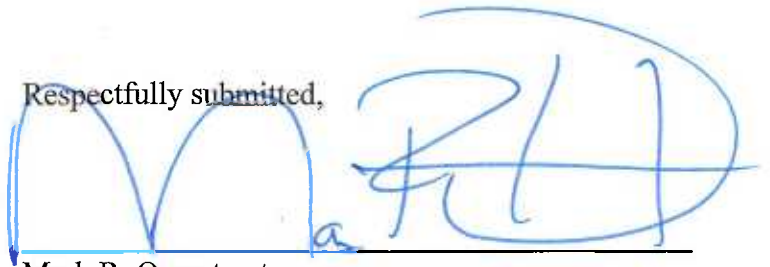
11. As of July 1, 2017 a balance of \$85,682 remains to be expended from the \$400,000 paid by Kentucky Power to KSBA in connection with the expanded School Energy Manager Program.

12. KSBA plans to use the \$88,720 total balance (\$3,038 + \$85,682) during the 2017-2018 school year to fund school energy manager positions in the Company's service territory, to fund energy efficiency programs in school districts affected by KRS 160.325, and to reimburse KSBA for overhead expenses. If authority is granted for the proposed expenditures the existing contract will be extended through September 30, 2018. No additional funds will be paid by Kentucky Power to KSBA.

Wherefore, Kentucky Power Company respectfully requests the Public Service Commission of Kentucky to enter an Order:

1. Accepting this status report;
2. Granting Kentucky School Boards Association authority to expend the remaining balance of \$88,720 during the 2017-2018 school year to fund school energy manager positions in the Company's service territory, to fund energy efficiency programs in school districts affected by KRS 160.325, and to reimburse KSBA for overhead expenses;
3. Authorizing Kentucky Power to extend its existing contract with the Kentucky School Boards Association through September 30, 2018 in connection with the association's expenditure during the July 1, 2017 to June 30, 2018 fiscal year of the remaining balance of \$88,720; and
4. Granting all other required relief.

Respectfully submitted,



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