

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)	

POST-HEARING BRIEF OF KENTUCKY POWER COMPANY

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Two issues remain: (a) how the Company's DSM portfolio is to be wrapped-up; and (b) if and when Kentucky Power should propose a new DSM portfolio. Kentucky Power, which stands ready to act on both issues, requests clear direction from the Commission as to how the Company should proceed.

A. The Company Should Be Authorized To Wrap-Up Its 2017 DSM Portfolio In A Manner That Is Fair To the Customers And the Company.

At the Commission's direction, Kentucky Power terminated all but its Targeted Energy Efficiency Program effective January 1, 2018. That program is authorized to continue only through 2018. By means of its reports to the Commission throughout the pendency of this investigation, and its timely action in response to Commission orders, including its November 3, 2017 suspension of all new program activity following the Commission's November 2, 2017 Order, Kentucky Power was able to limit the size of the "tail" associated with the termination of the Company's 2017 DSM portfolio. As a result, only the following matters remain to be resolved in connection with the wrap-up of the Company's 2017 DSM portfolio:

Residential

The manner in which any over-recovery or under-recovery resulting from the 2018 residential factor is to be credited or charged.

Whether the Targeted Energy Efficiency program is to continue past December 31, 2018.

The proper manner for recovery of lost revenues due Kentucky Power in 2019 and 2020 for 2018 post-rate case order activity. Also at issue is the payment and recovery of the rebates listed on the Company's response to Staff 2-4.

Commercial

The manner in which any over-recovery or under-recovery resulting from the 2018 commercial factor is to be credited or charged.

Whether Kentucky Power's DSM program is to pay customers the incentives otherwise due as listed on the Company's response to KPSC 2-2.

The proper manner for recovery of lost revenues and incentives due Kentucky Power in 2018-2020 for 2018 post-rate case order activity and for any approved commercial projects listed on the response to KPSC 2-2.

Kentucky Power requests that it be authorized to pay the incentives for the projects listed on the

Company's response to KPSC 2-2, and that it be allowed to recover those costs through the commercial DSM factor. Doing so *will not* affect the residential DSM factor – only commercial customers will bear the costs – but will permit the orderly and fair winding up of the outstanding commercial DSM projects.

Also to be resolved is whether the Company should complete the suspended Impact evaluation and recover the cost in the factor in this case. The completion of the Impact evaluation, at an estimated cost of an additional \$165,000, will allow the Commission to review the cost-effectiveness of the Company's 2016 and 2017 DSM portfolios, as well as provide the information typically used by the Commission in authorizing the Company's recovery of incentives, as well as the Company in calculating lost revenues. If the Commission elects to deny completion of the Impact evaluation the Company must be permitted to recover incentives and lost revenues in the absence of the usual evidentiary support.

B. Kentucky Power Stands Ready To Develop And Implement A Cost-Effective DSM Portfolio For Implementation In 2019 And Beyond.

As Mr. Grevatt emphasized at the January 11, 2018 hearing, a cost-effective DSM portfolio can provide important benefits to Kentucky Power's residential customers. Targeted DSM programs for the Company's low-income residential customers, who in the Company's service territory paradoxically often are large energy users, and who otherwise might lack the economic and other means to undertake energy efficiency measures, are particularly important. Likewise, the two representatives of the Mountain Association for Community Economic Development provided compelling statements explaining how cost-effective DSM programs also play an important role in enabling commercial customers, particularly schools, small retailers, and local governmental entities, to manage their energy costs. Both residential and commercial DSM programs can provide real benefits even when, as now, the Company has capacity in

excess of its PJM-mandated reserve margin. The question is when and what type of programs.

In the past, Kentucky Power first proposed DSM programs for Commission consideration. The Commission then reviewed the Company's proposal and the programs were implemented (or not) in accordance with the Commission's decision. Kentucky Power is required by Commission order to file an application in August of the year prior to implementation to justify the addition of new programs. This investigation has changed that dynamic. The halting of the now-terminated programs and release of contracts places a full DSM portfolio out of reach for 2018. With a timely order that provides scope and direction, and the benefit of the Impact evaluation,¹ Kentucky Power can file by August 15, 2018 a new DSM portfolio for implementation beginning January 1, 2019.

The decisions concerning which DSM programs, if any, the Company should implement in going forward, as well as the funding levels for the programs, lie in the first instance with the Commission. Kentucky Power is prepared to limit its residential portfolio to programs that target lower-income customers; the Company also stands ready to increase spending on commercial programs in light of the proven interest by its commercial customers in such programs. The Company can even wait for unique opportunities and propose programs in isolation to meet certain customer interests. But before doing so, and incurring costs that ultimately are recovered from customers, Kentucky Power requests clear direction from the Commission concerning the scope and nature of the 2019 portfolio. As Company Witness Wohnhas indicated in his Supplemental Testimony, for Kentucky Power to continue to offer DSM programs, the Commission must indicate its support for the recovery of program costs,

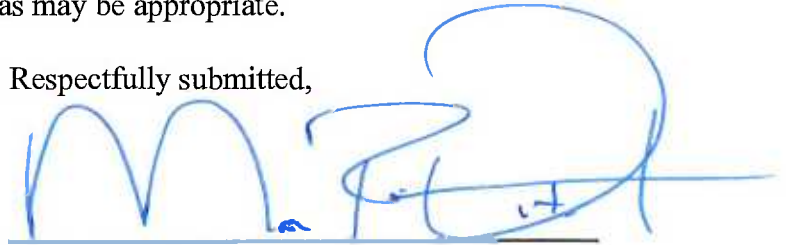
¹ The contract with Applied Energy Group, Inc. for the Impact evaluation also makes consulting services available to Kentucky Power. The consulting services, estimated to cost approximately \$65,000, will enable Kentucky Power to propose an updated portfolio reflecting industry-best practices for implementation in the 2019-2021 three-year cycle.

incentives, and utility lost revenues associated with the administration of DSM programs. Conversely, if the Commission believes the costs are too high or if that the programs are unnecessary at this this time, or if the Commission no longer sees the value in the effort, it is appropriate to make that policy declaration and direct the Company not to offer such programs for 2019 and beyond. The Company also requests further direction as to the status of the Targeted Energy Efficiency Program in 2019 and any filings the Company should make if the Targeted Energy Efficiency program is to be the only program for 2019 and beyond.

Wherefore, Kentucky Power Company respectfully requests that the Commission enter an Order:

- (a) Providing for the wrapping up of its 2017 DSM portfolio, including the recovery of lost revenues, incentives, and program costs;
- (b) Providing the Company direction as to the scope and nature of the Company's future DSM portfolio, if any; and
- (c) Providing such further relief as may be appropriate.

Respectfully submitted,



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