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May 22, 2015

Jeff R. Derouen, Executive Director
Public Service Commission
P. O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602

RE: Case No. 2014-00271
(To be retained in the Company's General Correspondence file)

Dear Mr. Derouen,

During Kentucky Power's May 5, 2015 hearing involving Case No. 2014-00396, The Commission requested additional information regarding level of direct DSM expenditures for February and March 2015. The Company is providing that information as a post-hearing data request. To ensure that the record is complete, the Company also hereby files revised monthly DSM updates regarding the level of direct expenditures for January, February, and March 2015 in Case No. 2014-00271.

If there are any questions please contact me at 502-696-7010.

Sincerely,

John A. Rogness III
Director, Regulatory Services

Attachments

Kentucky Power Company
Summary of Demand Side Management Expenses
Month Ended: January - March 2015

Through the April 2015 filing (March 2015 expense month), Kentucky Power is \$22,828 ahead of budget and anticipates meeting its 2015 targeted expenditure level.

By way of further explanation, Kentucky Power Company's 2015 DSM/EE expenditure target is \$5,279,642. This amount represents the \$5,016,191 approved by the Commission in Case No. 2014-00271 plus the \$263,451 shortfall between the Company's 2014 expenditure target of \$4,000,000 and actual 2014 DSM/EE expenditures of \$3,736,549.

Please note the Company's budgeted expenditure levels are not allocated evenly across each of the 12 months of 2015. As a result, an annualization of year-to-date expenditures is not indicative of whether Kentucky Power is on schedule to meet its 2015 expenditure target of \$5,279,642. A better indicator of whether the Company is on target to meet its 2015 target is the variance, if any, between year-to-date actual expenditures and budgeted amounts.

Further details of the Company's 2015 DSM/EE expenditures and their relation to the 2015 budget are provided below.

January 2015 Expenditures (February 27, 2015 Filing)

January total expenditures of negative \$6,071 were \$222,064 below the budgeted amount of \$215,993. Commercial program expenditures were \$81,022 below budget and residential program expenditures were \$141,042 below budget.

The negative total expenditures, and corresponding budget shortfall, in large part reflect timing differences in accounting entries. In December 2014, Kentucky Power in accordance with its regular accounting procedures, processed \$536,819 in unvouchered liability entries for services rendered that month. This accounting entry was reversed in its entirety in January 2015 but the Company had not received and recorded by month's end all of the corresponding invoices. As a result, the reversal, coupled with the failure to receive all of the corresponding invoices, produced much of the negative expenditure amount. The effect of the January reversal, and consequent negative expenditure amount, is expected to be eliminated in February 2015 and thereafter as the invoices are received and recorded. With the elimination of the effect of the timing difference between the reversal and the receipt and recording of the corresponding invoices, Kentucky Power anticipates being on schedule to meet its 2015 expenditure target.

February 2015 Expenditures (March 23, 2015 Filing)

February expenditures of \$305,780 exceeded the budgeted amount of \$212,386 by \$93,394. This reduced the year-to-date variance from the budget to -\$128,670.

Commercial program expenditures for February 2015 were \$43,861 above the monthly budget, while February 2015 residential program expenditures were \$49,533 above the monthly budget. On a year-to-date basis, residential program expenditures were \$91,509 below budget (compared to -\$141,042 at the end of January) and commercial program expenditures were \$37,161 below budget (compared to a January 2015 shortfall of \$81,022).

The anticipated reduction of the effect of the January 2015 accounting reversal as invoices were received and recorded was in large part realized and contributed to the reduction in the year-to-date shortfall. Notwithstanding the 42% reduction in the year to date shortfall between January 2015 and February 2015, adverse winter weather affected the Company's ability to eliminate the shortfall in its entirety. The Company expects to be on target by the end of the first quarter of 2015.

March 2015 Expenditures (April 20, 2015 Filing).

March expenditures of \$635,720 favorably compared to the budgeted amount of \$484,223 and provided a positive variance of \$151,498. Year-to-date, 2015 DSM/EE expenditures were \$22,828 above (or at 103%) of the budgeted amount.

Total commercial program expenditures for the month were \$101,173 above the budgeted amount. March residential expenditures were \$50,325 above budget. As a result, at the end of the first quarter, year-to-date commercial program expenditures were \$64,012 above (or 128% of) the budgeted amount, while the residential year-to-date expenditures were at 95% (-\$41,184) of budget.

Participation in the residential HVAC and weatherization programs were reduced below anticipated levels as a result of adverse weather conditions in February and March. To ensure the budgets for these programs could be met on the annual basis, Kentucky Power addressed the shortfall and the contractors' plans to eliminate it with the affected program contractors during the first quarter of 2015. Each indicated that it expected to meet its year-to-date target by mid-year.

Kentucky Power launched the Residential Home Performance program in March, and expects to initiate the Appliance Recycling program in April 2015. Both should contribute to Kentucky Power's ability to meet its 2015 DSM/EE budget.

