**VERIFICATION**

The undersigned, John A. Rogness III, being duly sworn, deposes and says he is the Director Regulatory Services for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his/her information, knowledge and belief.

John A. Rogness III

COMMONWEALTH OF KENTUCKY )
) Case No. 2015-00271
COUNTY OF FRANKLIN )

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John A. Rogness III, this the 8th day of December, 2015.

Judy K Rosquist 481393
Notary Public

My Commission Expires: January 23, 2017

## Kentucky Power Company

**REQUEST**

Referring to the Company's response to Sierra Club Initial Data Request Nos. 11 and 19, please explain the discrepancy between the 2016 savings estimates for the modified programs in these two data responses? Does this reflect the difference between net and gross estimates?

**RESPONSE**

Yes. The total energy savings represented with question 11 is net participant savings at the meter. The total energy savings represented in question 19 is gross participant savings at the utility meter. Net-to-Gross (NTG) ratios adjust the gross energy and demand savings associated with a program to reflect the overall effectiveness of the program, taking into account free riders and spillover. (e.g. Exhibit 6 page 11/105 Minimize Net-to-Gross Impacts).

**WITNESS:** John A Rogness

# Kentucky Power Company

**REQUEST**

Referring to the Company's response to Sierra Club Initial Data Requests No. 11, please explain why the Company anticipates virtually no growth in incremental energy savings throughout the three-year planning period, i.e. annual savings range from 0.40-0.44% of retail sales.

**RESPONSE**

The Company believes the growth in incremental energy savings as a percentage of retail sales is not an appropriate measure of the effectiveness of its proposal. A better measure is growth in incremental savings during the period. They are projected to increase from 26.19 GWh to 28.94 GWh or by 10.5%.

Further, however the savings are measured, the savings are being achieved based on a "flat" budget over the 2016 through 2018 period provided for by the July 2, 2013 Stipulation and Settlement Agreement approved by the Commission in Case No. 2012-00578. Finally, all programs, other than the Residential Efficient Products, are projected to achieve an increase in savings over the period. The Residential Efficient Products program, which historically has been one of the largest savings contributors in the Company's portfolio, is being affected by the full implementation of federal Energy Independence Security Act standards.

**WITNESS:** John A Rogness

## Kentucky Power Company

**REQUEST**

Referring to the Company's response to Sierra Club Initial Data Request No. 20, please explain why the DSM surcharge "was designed for the commercial customer class only."

**RESPONSE**

KRS 278.285(3) prohibits cross subsidization between the customer classes. Because the Company is not proposing any industrial programs, the commercial surcharge was calculated on the estimated levels of cost and customer participation within the commercial customer class.

**WITNESS:** John A Rogness

## Kentucky Power Company

**REQUEST**

Referring to the Company's response to Sierra Club Initial Data Request No. 21:

a. Please describe all efforts the Company has undertaken to determine "industrial customers' interest in Company-sponsored DSM programs" and provide all supporting documentation.

b. Is it the Company's position that industrial customers would never be interested in a voluntary DSM program? Please explain.

c. Please describe how, in the Company's view, an industrial customer would "demonstrate an interest in participating in, or having the Company establish pursuant to KRS 278.285, industrial DSM programs."

**RESPONSE**

a-c. Kentucky Power initially offered DSM/EE programs to its industrial customers. Due to a lack of participation by industrial customers, the Company requested that the industrial DSM/EE programs be discontinued. In its Order dated October 27, 1998 in Case No. 95-427, the Commission authorized Kentucky Power to discontinue those programs.

In the intervening 17 years Kentucky Power's industrial customers have not expressed sustained interest in Company-sponsored DSM/EE programs for industrial customers. The Company's customer service engineers regularly meet with the industrial customers. During these meetings industrial customer personnel sometimes inquire about the availability of Company-sponsored DSM/EE programs. Upon learning that any Company-sponsored DSM/EE program would require the payment of a DSM surcharge by the Company's industrial customers, interest in the Company-sponsored programs evaporates.

In addition, Kentucky Industrial Utility Customers, Inc. is a frequent intervenor in the Company's cases and has a proven track record of aggressively pursuing the interests of its members through Commission litigation. Following the termination of the Company's industrial DSM/EE programs, KIUC has not intervened in any Kentucky Power DSM filings. Nor has it ever made a filing requesting that the Company implement DSM/EE programs for KIUC members. Finally, KIUC has not sought to re-join the Company's DSM collaborative.

Finally, the Kentucky Public Service Commission sponsored a series of three DSM Stakeholder Meetings in 2013. These informal meetings were attended by utility, government and industrial representatives including Kentucky Power. The meetings focused on issues surrounding industrial DSM program implementation, as well as impediments, challenges and industrial program successes, and included discussions of stakeholder points of view. At the meetings, there were presentations by industrial customers who were successfully implementing their own DSM/EE programs, and which supported the industrial customer viewpoint that formal utility sponsored industrial DSM/EE programs were not necessary.

KRS 278.285(3) permits industrial customers to pursue their own DSM/EE programs and thereby avoid paying a DSM surcharge. It appears to the Company that its industrial customers have chosen to pursue their DSM/EE needs individually under the aegis of KRS 278.285(3). Kentucky Power remains open to any form of request by one or more industrial customers for Company-sponsored DSM/EE programs. In addition, the Company will continue to investigate ways to include smaller industrial customers in appropriate DSM/EE programs.

**WITNESS:** John A Rogness

## Kentucky Power Company

**REQUEST**

Refer to the Company's response to Staff's Initial Data Request No. 1(b), in which the Company states that the Commercial Prescriptive Custom and New Construction programs are "readily adaptable for industrial customers." Given this statement, please explain why these programs are not available to industrial customers and builders, i.e. why has the Company not adapted these programs for industrial customers.

**RESPONSE**

Please see the response to SC 2-4.

**WITNESS:** John A Rogness

## Kentucky Power Company

**REQUEST**

Referring to the Company's response to Staff's Initial Data Request No. 1(c), please state whether the Company has considered implementing any Time of Use trials. If yes, please describe.

**RESPONSE**

Time of Use (TOU) rates were considered as part of the Demand Response Potential Study. The study found that TOU rates are not cost-effective for the residential or small commercial segments. However, for some small commercial, medium commercial and large commercial customers, TOU rates are cost-effective beginning in 2020.

Since TOU rates are not cost-effective until 2020, they were not included in the 2016-2018 portfolios. However, they will be re-evaluated and considered in the next program evaluation cycle.

**WITNESS:** John A Rogness

# Kentucky Power Company

## REQUEST

Referring to the Company's response to Staff's Initial Data Request No. 9(c), please describe the aspects of "historical program performance" that led the Company to estimate that the high scenario budget amount is required to produce the mid scenario participation rate. Please also describe what, if any, steps the Company is taking to move towards budget-participation level parity (i.e. medium scenario budget, medium scenario participation) according to the Company's estimates.

## RESPONSE

It appears this request is premised at least in part upon a misconception of the Company's response to KSPC 1-9(c) and its Commercial Incentive Prescriptive Custom Program expenditure budget. All components of the Commercial Incentive Prescriptive Custom Program expenditure budget, except the incentive budget, are budgeted at the Mid-Scenario level. Thus, except for the incentive expenditure level, the Company projects it will attain budget-participation-level parity.

The Company's use of higher incentive levels is based on the Company's experience. For example, the Company's Commercial Incentive Prescriptive Program expenditures during the first nine months of 2015 totaled $460,787. That compares to a 2016 Mid-Scenario design for the incentive expense level of $392,932 and was driven by the need to increase the expenditure level twice during 2015. Even with these higher incentive expenditure levels, the Commercial Incentive Prescriptive Custom Program produced 117 completed projects in the first nine months of 2015 against an annual projection of 219.

**WITNESS**: John A Rogness

## Kentucky Power Company

**REQUEST**

Referring to the Company's response to Staff's Initial Data Request No. 21, please provide the discount rate KPC uses in deriving TRC test results.

**RESPONSE**

The discount rate used to derive the TRC test results was 8.08%. Please see the Company's DSM Program Plan provided in the Application, Exhibit 6, Appendix A at page 98 of 105.

**WITNESS**: John A Rogness

# Kentucky Power Company

**REQUEST**

Referring to the Company's response to Staff's Initial Data Request No. 30:

a. Given that KPC has not offered DSM programs to its industrial customers since December 31, 1998 and it believes that some of its current commercial programs are "readily adaptable for industrial customers," would the Company be open to offering its Commercial Perspective and New Construction programs, for example, to industrial customers?

b. Refer to the paragraph beginning "This case is the final installment..." Is it the Company's position that it has not offered industrial programs because of its DSM spending obligations set forth the Stipulation and Agreement in Case No. 2012-00578?

**RESPONSE**

a. Please see the response to SC 2-4.

b. No.

**WITNESS**: John A Rogness