

Kentucky Power Company

REQUEST

Refer to the Application, page 6, numbered paragraph 16.

- a. What is the average refund amount made to residential customers for the 12-month period ending June 30, 2015.
- b. For the five 12-month periods ending June 30, 2014, provide the number of refund checks and the refund amount made by Kentucky Power to residential customers for each of those 12-month periods.

RESPONSE

- a. \$188.39
- b.

Date	Number of Refund Checks	Total Refund Amount
07/01/09 to 06/30/10	7,584	\$920,059.69
07/01/10 to 06/30/11	7,695	\$1,121,918.63
07/01/11 to 06/30/12	10,068	\$1,308,722.39
07/01/12 to 06/30/13	10,572	\$1,656,234.59
07/01/13 to 06/30/14	8,896	\$1,990,363.02

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Application, page 9, numbered paragraph 23. Provide the annual losses for the past five years resulting from check fraud.

RESPONSE

The requested information is not available. The phrase "liability and cost associated with ... fraudulently used checks" referred primarily to the cost incurred by the Company in preventing the use of fraudulently altered checks.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Application, Exhibit 2, page 2 of 2, regarding the ACH Transfers. Does Kentucky Power anticipate that Citibank would impose a fee for such transfers in the future?

RESPONSE

The current agreement, which has a two year term, does not permit the imposition of a fee for ACH transfers. Citibank is an independent corporation and Kentucky Power is not privy to its internal pricing strategies or plans. Citibank has not indicated, or led the Company to anticipate, that Citibank will impose a fee for ACH transfers at the expiration of the current contract term.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Explain how the third-party issuer was chosen.

RESPONSE

In 2011, when AEP started to explore solution providers for this service, Citibank was the only provider known to AEP willing and able to design and build over a four year implementation period a process that would include check issuances, prepaid card services, and multi-state escheatment. In addition, Citibank was the sole prepaid debit card provider known to AEP that previously had implemented a program for a similar scaled and scoped utility customer refund program.

In 2014, AEP informally requested pricing for similar services from Bank of America and KeyBank. The pricing from Citibank was at least \$1.00 per transaction less than either of the responses.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide a detailed list of all expenses associated with the third-party issuer incurred by Kentucky Power.

RESPONSE

Please see KPCO_R_PSC_1_5_Attachment1_Confidential.xls for this response.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Confirm that a residential customer can only receive a paper check after the prepaid card is issued and only through the third-party issuer.

RESPONSE

Confirmed with two exceptions. Residential customers with more than a total of 25 characters in their first and last names will receive a check because prepaid cards lack space for names consisting of more than 25 letters. In addition, checks will be issued to customers where the address to which the refund is to be mailed is outside the United States.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide the length of time before the bank card will be issued to the customer.

RESPONSE

Once Citibank is provided with the customer information by Kentucky Power, the prepaid card will be issued in 3-4 business days.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Explain whether a customer must receive a personal identification number ("PIN") to activate the prepaid card. If so, explain how long it is after the prepaid bank card is mailed that the PIN is mailed.

RESPONSE

The customer is not required to receive a PIN to activate the prepaid card. The customer will be required to enter his or her zip code as part of the prepaid card activation process.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Explain whether Kentucky Power will review all limits, possible fees, and terms of the prepaid card with each customer.

RESPONSE

No, Kentucky Power will not review limits, possible fees, and terms of the prepaid card with the customer prior to the card being mailed. Citibank will provide this information with the prepaid card to the customer.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the testimony of John A. Rogness ("Rogness Testimony"), page 3. Provide by month for 2014 and 2015 the number of times Kentucky Power issued deposit refunds and the amount of the deposit refunds.

RESPONSE

Month	Year	Number of Checks	Total Deposits Refunded
January	2014	22	5,613.44
February	2014	15	4,282.42
March	2014	22	6,589.41
April	2014	30	9,613.80
May	2014	26	9,760.20
June	2014	31	10,619.20
July	2014	22	6,885.57
August	2014	25	8,463.30
September	2014	18	6,264.87
October	2014	20	6,074.12
November	2014	17	4,744.01
December	2014	14	3,521.24
January	2015	17	4,439.06
February	2015	17	4,871.97
March	2015	27	37,375.83
April	2015	7	1,728.36
May	2015	23	9,170.38
June	2015	23	8,268.75
July	2015	18	6,921.52
August	2015	15	5,283.66
September	2015	28	8,897.59
October	2015	10	3,282.55
November	2015	17	5,629.27
December	2015	30	6,020.35

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness testimony, page 3. Provide by month for 2014 and 2015 the number of times Kentucky Power issued refunds and the amount refunded as a result of a meter test.

RESPONSE

Kentucky Power does not maintain the requested information. Most meter tests are performed for customers with active accounts. As a result, any refund would have been by means of a credit to the customer's account.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 4. Provide by month for 2014 and 2015 the number of times that a mailed refund was returned.

RESPONSE

The requested information is not available. American Electric Power Service Corporation handles returned mailed refunds for Kentucky Power and its sister companies. While records are kept as to the total number of refunds returned, these records are not compiled by individual state or operating company.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, pages 4-5 regarding Kentucky Power's current process for issuing refund checks to residential customers.

- a. Explain the methods and protocols that Kentucky Power currently has in place to ensure that a refund check will be accurately issued and delivered to the right person.
- b. Would the issuance of a prepay card require any additional changes or enhancements to Kentucky Power's current methods or protocols to ensure that the prepay cards are issued and delivered to the right person?

RESPONSE

- a. The Company's customer service center verifies the mailing address for correspondence, bills, and refunds when assisting customers. Such discussions typically are initiated by customers who call the customer service center to initiate or terminate service or to inquire about a meter reading. Refund checks are issued either in the name of the primary account holder or, in the case of a deposit refund, to the party who paid the deposit.
- b. No.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 8, regarding the replacement of a lost or stolen prepaid card. Explain the process a customer would go through in order to obtain a replacement prepaid card.

RESPONSE

Customer's who have lost or had their prepaid card stolen can either call Citibank directly for a replacement card, or call the Company to be transferred to a Citibank representative. The first replacement card is free; subsequent cards may be subject to a replacement fee of \$6.95.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, pages 8-9, regarding Ohio Power Company's implementation of a prepaid card program. Provide details of the level of customer satisfaction with the program and identify any issues that have been encountered.

RESPONSE

Mr. Rogness' testimony regarding Ohio Power Company's implementation of the prepaid card program was premised on an informal, qualitative assessment of the program by Ohio Power Company and American Electric Power Service Corporation personnel. In addition, 44,450 prepaid Visa cards were issued to customers of those affiliated companies using prepaid Visa cards to make refunds during 2015. Less than 3.3% of those customers requested checks (389 or 0.8751%) or ACH transfers (1,073 or 2.4139%). Ohio Power Company customers received approximately 36,000, or 80%, of the prepaid Visa cards.

These results are consistent with the convenience, and ability to avoid check-cashing charges, described at pages 9-10 of Mr. Rogness' testimony.

The following issues were identified in connection with the implementation of the program by Ohio Power:

- (a) Customers relocating out of the United States. Checks are issued to such customers as the default option.
- (b) Customers possessing first and last names containing more than 25 characters. The space on the prepaid cards for first and last names is limited to 25 characters. Such customers are now issued checks as the default option.
- (c) Property owners with multiple residential properties sometimes experienced difficulty in tying prepaid cards to the individual properties. Information regarding the applicable service location is now provided along with the prepaid Visa card.
- (d) Some customers experienced issues with the online site. These have been addressed by improved communication with the customer and changes to the online site.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 11. Explain in detail the escheat process for unclaimed refunds, and to whom unclaimed funds are escheated.

RESPONSE

The Company's procedures are governed by Kentucky law, principally Chapter 393 of the Kentucky Revised Statutes and Title 20 of the Kentucky Administrative Regulations. Unclaimed customer refunds are identified after the applicable dormancy period (3 years in Kentucky). KRS 393.080. Due diligence letters are sent by the Company to the last known address for each refund over \$50.00. A check is reissued to those persons or entities that return the letters to the Company. The remaining uncashed checks are escheated in accordance with the regulations to the Kentucky State Treasurer on or before November 1 of each year.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide the cost analysis for the refunds when either issuing a credit to the customer's bill, electronic funds transfers, or a check versus a prepaid card.

RESPONSE

Please see KPCO_R_PSC_1_17_Attachment1_Confidential.xls for the response.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Would Kentucky Power be open to allowing a customer wanting to receive the refund by check to select that as the default method?

RESPONSE

No. The prepaid Visa program allows the Company, and ultimately its customers, to avoid the additional costs associated with the issuance of paper checks as the default method. In addition, the agreement with Citibank allows Kentucky Power and the other AEP operating companies to "outsource" their refund escheat obligations. Because of the growth of these obligations across the AEP system, Kentucky Power and the other operating companies would be required to outsource these obligations even in the absence of the prepaid Visa program.

If the Kentucky Public Service Commission approves Kentucky Power's application for deviation, the Company will use the Visa pre-paid cards as the default method. However, once a customer receives their Visa Card in the mail, the customer may request a transfer of the amount to their bank account, or they can request a check be sent to them. The instructions for using one of these options are provided in the letter sent with the VISA card.

WITNESS: John A Rogness