

## **Kentucky Power Company**

### **REQUEST**

Reference the Kentucky Power Company ("Kentucky Power" or "Company") Application, Paragraph 17 to answer the following questions:

- a. How will issuing refunds to residential customers by prepaid card improve Kentucky Power's refund process?
- b. If the Public Service Commission ("PSC") approves Kentucky Power's requests to allow refunds via prepaid cards, will the Company still offer a bill credit refund as well? If so, will the bill credit refund be offered to the customer prior to a prepaid card being issued?
- c. If the PSC approves Kentucky Power's request to allow refunds via prepaid cards, explain the process in detail that a customer will have to undergo in order to receive a bill credit, paper check, or electronic funds transfer refund.
- d. Explain in detail the process and procedure Kentucky Power intends to utilize in order to provide electronic funds transfer refunds to customer's bank account.
- e. Will Kentucky Power or the customer have to provide Citibank with confidential information, such as checking account or routing numbers in order to obtain the electronic funds transfer?
- f. Will there be any fees charged to the customer to issue the refund via prepaid card, paper check, or electronic funds transfer?

**RESPONSE**

- a. Customers will receive refunds faster than if Kentucky Power were required to mail out a refund check. In addition, the cost to the Company, and thus ultimately the Company's customers, will be lower (see the response to Staff 1-17).
- b. For continuing Kentucky Power customers, the default refund method will continue to be by bill credit. For those customers who do not continue as Kentucky Power customers, and thus lack an account to be credited, excess balances will be refunded through Citibank as the default method.
- c. *See generally* pages 6-7 of Mr. Rogness' testimony. Once a customer receives the prepaid card in the mail, the customer can either go online to [www.prepaid.citi.com/aeprefunds](http://www.prepaid.citi.com/aeprefunds) or call Citibank to request a transfer of funds to their bank account or to have a check sent to them. For bill credits, please see the response to subpart b.
- d. Citibank will provide electronic funds transfer to customer's bank account following the process outlined in ACH Transfers in the application on page 2 of 2 of Exhibit 2.
- e. Most checks contain the account number and bank routing number in the Magnetic Ink Character Recognition line at the bottom of each check. Such information is required to permit the automated processing and clearing of the check.

If a customer requests to have funds electronically transferred to a bank account, the customer will be required to provide Citibank with both the checking account number and bank routing numbers. Citibank (or any other entity transferring funds between banks) cannot process the transaction without the information.

- f. No.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

Reference the Kentucky Power Application, Paragraph 18. What is Kentucky Power's rationale to issue residential refunds via prepaid cards but continue issuing refunds to non-residential customers via bill credit or paper check?

**RESPONSE**

Commercial and industrial customers, whose accounting, audit, and bookkeeping requirements are much more extensive than those of the most residential customer, typically require a paper check or bill credit for record keeping and cash management purposes.

**WITNESS:** John A Rogness

## **Kentucky Power Company**

### **REQUEST**

Reference the Kentucky Power Application, Paragraph 21 to answer the following questions:

- a. How did Kentucky Power choose Citibank to be the third-party issuer?
- b. Confirm whether Citibank has had prior issues with deceptive marketing, unfair billing, and other unlawful practices.
- c. How has Citibank assured Kentucky Power that none of these consumer violations will occur with the prepaid refund cards?<sup>1</sup>
- d. In addition to Citibank, did Kentucky Power explore other third-party issuer options? If so, what was the determining factor to award the contract to Citibank? If not, why were other third-party issuer options not reviewed?
- e. What fee does Kentucky Power pay Citibank for issuing the refunds on prepaid cards?
- f. Does the Company plan on including the fee paid to Citibank in the future rate adjustment case?
- g. Does Kentucky Power receive any benefit, financial or otherwise, for designating Citibank as the third-party issuer of the prepaid cards?
- h. Provide the contract, if any, that exists between Kentucky Power and Citibank.
- i. Why is Kentucky Power delegating the responsibility to issue a check to Citibank instead of handling within its own customer service department?

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<sup>1</sup> Citibank, N.A.; Department Stores National Bank; and Citicorp Credit Services, Inc. (USA), 2015 CFPBCO 0015

- j. Does Kentucky Power admit that it is inconvenient and time consuming to force its customers who prefer a paper check or electronic transfer to have to reject the prepaid card and then take additional steps to contact Citibank?
- k. Would Kentucky Power consider having its own customer service department initially advise the customer that the options for a refund are bill credit, prepaid card, paper check, or electronic transfer of funds and then only have Citibank send a prepaid card if requested by the customer?

**RESPONSE**

- a. Please see the Company's response to KPSC 1-4.
- b and c. Kentucky Power confirms that on July 14, 2015 through July 16, 2015 Citibank, N.A, and two of its subsidiaries, entered into separate "Stipulations and Consents to the Issuance of a Consent Order" ("Stipulations"). The Consent Order referenced in this data request was entered pursuant to the Stipulations. Paragraph 6 of the Consent Order expressly provides that Citibank "has consented to the issuance of this Consent Order ... without admitting or denying the findings of fact or conclusions of law, except that ... [Citibank] admits the facts necessary to establish the Bureau's jurisdiction over ... [Citibank] and the subject matter of this action. Further, three of the four "law violations" identified in the Consent Order at pages 1-2 that are the subject of the Consent Order involved practices with respect "credit card add-on products." The fourth identified violation of law related to practices associated with collection of delinquent credit card balances. None of the violations identified in the Consent Order related to prepaid cards practices and are not likely to arise in connection with prepaid cards (e.g. debt collection practices). In addition, paragraphs 58-78 of the Consent Order contain conduct provisions designed to prevent the reoccurrence of the violations.
- d. Please see the Company's response to KPSC 1-4.
- e. Please see the Company's response to KPSC 1-5.
- f. Yes, just as it would with any other reasonable expense.

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- g. Kentucky Power receives the benefits described in the application at paragraphs 22 and 23 and pages 10 and 11 of Mr. Rogness' testimony. Although the use of pre-paid cards will be particularly advantageous to under-banked and unbanked customers, all customers will benefit from immediate access to their funds, the convenience of not having to cash or deposit their check, as well as protection from loss, theft, and fraud. As a result, the Company should benefit from improved customer satisfaction. The Company also benefits by transferring responsibility for payment liability to Citibank, and by avoiding the liability and expense associated with lost, stolen, and fraudulent checks.
- h. Please see attachments [KPCO\\_R\\_AG\\_3\\_Attachment1\\_Confidential.pdf](#) and [KPCO\\_R\\_AG\\_3\\_Attachment1\\_Redacted.pdf](#).
- i. Kentucky Power and the other American Electric Power Company operating companies contracted with Citibank to perform certain refunding functions to capture the efficiencies of outsourcing those functions. In addition, the outsourcing of the refund functions was done in connection with a similar initiative to outsource the escheat obligations of Kentucky Power and its affiliates. The burdens imposed by such escheat obligations were such that they could more efficiently be performed by a third-party. Kentucky Power and its affiliates would have sought to outsource these escheat obligations even in the absence of the prepaid Visa card program.
- j. No.
- k. No. For continuing customers, a credit to the customer's bill is the default refund method. For other customers, if the Kentucky Public Service Commission approves the Company's application, the default refund method will be by VISA pre-paid card. See the Company's response to KPSC 1-18 and AG 1-1.

**WITNESS:** John A Rogness

## **Kentucky Power Company**

### **REQUEST**

Reference the Kentucky Power Application, Paragraph 22 to answer the following questions:

- a. Is there a monthly maintenance fee on the prepaid card?
- b. Is there an initial fee to use the card?
- c. What is the monthly maintenance fee that will be assessed if the card is not used within the first six months following its issuance?
- d. Are there additional fees on the prepaid card if it is not used after six months?
- e. What fee will Citibank charge if a prepaid card has to be issued a second time?
- f. What fee is charged for expedited replacement card services?
- g. Confirm that his particular prepaid card cannot be used at ATM machines to withdraw w money or request a balance. If it can be used at an ATM then provide the fee that will be charged to the customer.
- h. Is there a fee to utilize customer service for the card?
- i. Does Citibank keep all of the maintenance fees collected in association with the prepaid card or does Kentucky Power receive a percentage of the fees?

**RESPONSE**

- a. A monthly maintenance fee of \$3.00 per month will be charged prospectively if the full card balance is not used within 6 months. *Cf.* KRS 355.4-404 (“A bank is under no obligation to a customer having a checking account to pay a check, other than a certified check, which is presented more than six (6) months after its date, but it may charge its customer’s account for a payment made thereafter in good faith.”)
- b. No.
- c. \$3.00 per month.
- d. There are no fees other than the maintenance fee.
- e. Initial replacement cards are free. Subsequent replacement cards may be subject to a replacement fee of \$6.95.
- f. Citibank charges a \$25.00 fee to customers who request that their replacement card be mailed overnight.
- g. Confirmed. In this respect, the card does not differ from a check or bill credit.
- h. No.
- i. Citibank will retain any maintenance fees collected. Kentucky Power will not receive any portion of any maintenance fees.

**WITNESS:** John A Rogness



## **Kentucky Power Company**

### **REQUEST**

Reference the Kentucky Power Application, Paragraph 23 to answer the following questions:

- a. Kentucky Power states that “because of the advantages accruing to its customers as a result of the availability of prepaid cards, the Company anticipates benefiting from improved customer satisfaction.” Does the Company admit that for customers who do not want a refund via a prepaid card that have to take further steps to secure the refund will likely lead to decreased customer satisfaction?
- b. Is Kentucky Power paying a fee to Citibank to be relieved of liability and cost associated with lost, stolen, or fraudulently used prepaid cards?
- c. In regards to the statement that the use of prepaid cards will help limit losses suffered by local merchants and banks, please confirm if the local merchant will pay any fees when a customer uses a prepaid card.

### **RESPONSE**

- a. No. As evidenced by the experience of the Company's affiliates, less than 1% of the 44,450 customers of the Company's affiliates who received a refund by prepaid card in 2015 requested a check (389 or 0.8751%). An additional 2.41% (1,073) requested an ACH transfer. *See* Company's response to KPSC 1-15.
- b. No separate fee is paid.
- c. Subject to the terms of the merchant's agreement, the local merchant will pay the same interchange and other fees (if any) that it pays for other prepaid Visa cards. Fees are also paid by local merchants accepting debit and credit cards.

**WITNESS:** John A Rogness

## **Kentucky Power Company**

### **REQUEST**

Reference the Testimony of John Rogness, Page 4, Lines 18-23 and Page 5, Lines 1-3 to answer the following questions:

- a. Describe the Company's existing process for issuing refunds to residential customers. Please describe the process from the time that the Company determines a refund is owed, until the point where the customer receives the refund. For example, do Kentucky Power customer service representatives initially speak to the customer to advise that a refund is owed, and request if the customer prefers a bill credit or paper check?
- b. Will Kentucky Power have to obtain consent from its customers in order to disclose the name of the customer to receive a refund, last known mailing address, and the refund amount to Citibank?

### **RESPONSE**

- a. Refunds to continuing customers are posted as a credit to the subject customer's bill and there is no alternative method of refund of which to advise the customer. Depending on the reason for the refund a customer service representative may speak to the customer as part of that transaction. A customer seeking to terminate service and close the account typically speaks to a customer service representative to do so. The customer will be advised that any credit balance on the account (typically a deposit) first will be applied to the customer's final bill, which is rendered after the final meter reading, and that any remaining credit balance will be remitted by check.
- b. No.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

Reference the Testimony of John Rogness, Page 6, Lines 1-5 to answer the following questions:

- a. Why will prepaid cards not be available for refunds on amounts paid as contributions in aid of construction? Please provide a detailed explanation of the "separate system."
- b. How does Kentucky Power currently refund amounts paid as contributions in aid of construction?

**RESPONSE**

- a. Contribution in Aid to Construction are tariffed charges for work performed by the Company in connection with certain service extensions. *See* Terms and Conditions of Service 9 (Tariff Sheets 2-6 to 2-7). Because these charges are required to be paid before service is installed and the customer thus lacks an active electric service account they are accounted for outside the customer's subsequent electric account. The prepaid cards, by contrast, are used in connection with refunds on a customer's electric account.
- b. The Company initiates a refund from its Accounts Payable department and the customer is mailed a check.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

Reference the Testimony of John Rogness, Page 6, Lines 6-8 to answer the following questions:

- a. Did Kentucky Power perform a study to determine that commercial and industrial customers typically prefer a refund via a paper check or bill credit?
  - i. If so, please provide detailed information concerning the study results.
  - ii. If no study was performed then what evidence supports this assertion?
  
- b. Did Kentucky Power perform a study to determine that residential customers prefer a refund via a prepaid card?
  - i. If so, please provide detailed information concerning the study results.
  - ii. If no study was performed then what evidence supports this assertion?

**RESPONSE**

- a. No. Prepaid debit cards are designed for and typically used by residential consumers and not businesses. In addition, the Company is familiar with the typical accounting and auditing requirements for commercial and industrial customers through the requirements of its own business.
  
- b. The Company does not contend that customers “prefer a refund via a prepaid card.” Instead, as detailed in the application, the prepaid card offers significant advantages to the Company’s customers over paper checks. *See* paragraphs -15 and 22 of the Application and the Company’s response to KPSC 1-15.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

Reference the Testimony of John Rogness, Page 6, Lines 17-23 to answer the following questions:

- a. Will there be a fee associated with the replacement of a prepaid card with a paper check?
- b. Will there be a fee associated with the replacement of a prepaid card with an electronic transfer of funds?

**RESPONSE**

a-b. No.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

Reference the Testimony of John Rogness, Page 7, Lines 19-21. Provide a detailed list of the applicable laws of escheat that Witness Rogness is referring to in this statement.

**RESPONSE**

See KRS Chapter 393 and Title 20 of the Kentucky Administrative Register.

**WITNESS:** John A Rogness

## **Kentucky Power Company**

### **REQUEST**

Reference the Testimony of John Rogness, Page 8, Lines 2-5. Provide a summary of how Citibank protects people to whom the prepaid card is issued against liability for fraudulent use of the card.

### **RESPONSE**

Citibank deploys a multifaceted fraud prevention process throughout its platform and external consumer interfaces. To prevent unauthorized access to cardholder information, Citibank's customer service team is required to verify the identity of each cardholder using multiple components of Personally Identifiable Information (PII), which can vary depending on the program configuration. Additionally, Citibank's website deploys multiple fraud prevention tools including Multi-Factor Authentication (MFA) via one-time PIN, challenge questions, and JCapcha. MFA occurs at log-in and other sensitive action points including information updates and ACH transfer. In addition to Citibank's externally facing prevention tools, Citibank deploys an industry leading fraud analytics suite including Defense Edge run by a dedicated in-house fraud monitoring team. In the event a fraudulent transaction does occur, Citibank provides 100% fraud protection, subject to cardholder reporting and attestation protocol outlined in its detailed cardholder terms and conditions.

In the event of a lost or stolen card, cardholders call the toll-free customer service number to report a lost or stolen card. Citibank handles all processes for disputing charges for any unauthorized transactions, and will replace the card with a new Visa card. The DDA and routing number associated with the cardholder does not change – only the Visa number changes. Cards are mailed via USPS to the cardholder's designated home address.

**WITNESS:** John A Rogness



## **Kentucky Power Company**

### **REQUEST**

Reference the Testimony of John Rogness, Page 11, Lines 11-13 to answer the following questions:

- a. Provide a summary of Kentucky Power's current escheat process for unclaimed refunds.
- b.. Provide a summary of how the escheat process will be implemented for unclaimed refunds if the PSC approves Citibank to issue the refunds.

### **RESPONSE**

- a. See the Company's response to KPSC 1-16 and AG 1-10.
- b. With the PSC's approval of the Company's application for deviation, funds would be escheated on behalf of Kentucky Power by Citibank. Citibank would be subject to the same laws and regulations that governs Kentucky Power's escheat procedures.

**WITNESS:** John A Rogness