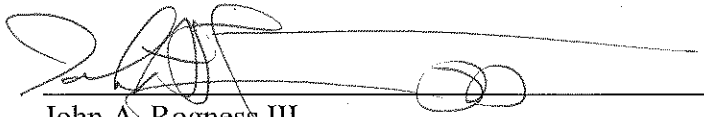


VERIFICATION

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. 2015-00364
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 10th day of February 2016.



Notary Public

My Commission Expires: January 23, 2017

Kentucky Power Company

REQUEST

Reference Kentucky Power Company's ("Kentucky Power" or "Company") response to Commission Staffs First Request for Information ("Staffs First Request), Item 1 to answer the following questions:

- a. Explain in detail why there were significantly more refund checks issued in the years 7/1/11-6/30/12 and 7/1/12-6/30/13.
- b. Explain why the total refund amount was the highest between 7 /1/13 and 6/30/14 even though there were less refund checks issued in that year. Please ensure to provide a detailed explanation as to why the refund checks were for larger amounts than previous years.

RESPONSE

a-b. The Company is unaware of any single reason for the variation. The number of refunds issued may vary based on changes in the reasons for refunds being made.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to Staffs First Request, Item 2 and provide the monetary amount that Kentucky Power expends per year "preventing the use of fraudulently altered checks."

RESPONSE

\$1,933.99

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to Staff's First Request, Item 3 and Attorney General's Item 9 for the following questions:

- a. Does Kentucky Power have any knowledge whether Citibank contemplates implementing fees in the future for the issuance of checks and electronic transfers to customers who do not want a refund via prepaid card? Explain your answer in full detail.
- b. If Citibank decides to impose an ACH transfer fee at the end of the two-year agreement, would Kentucky Power cease doing business with Citibank? Explain why or why not in full detail.
- c. If Citibank decides to impose a check fee at the end of the two-year agreement, would Kentucky Power cease doing business with Citibank? Explain why or why not in full detail.
- d. Regardless of the above hypothetical, at the end of the current two-year agreement between Citibank and Kentucky Power, will the Company engage in competitive bidding to find the least cost option for the ratepayers? Explain in full detail.

RESPONSE

- a. No. Kentucky Power has not been informed by Citibank what its position on such fees would be in future negotiations.
- b-d. See the Company's response to KPSC 2-1(a).

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference the Company's application, Exhibit 2 to answer the following questions:

- a. Explain why under Schedule of Fees it states that the Account Maintenance Fee is \$3.00 per month (if applicable), yet in the footnote it states that the maintenance fee will not be collected for months 1-6 but will be collected on the sixth month anniversary date. Please explain in full detail when the maintenance fees on the prepaid card will be applicable. The consumer letter currently states that Citibank will not collect maintenance fees for months 1-6, but will collect on the sixth month anniversary date.
- b. Explain if Kentucky Power will work with Citibank to simplify and clarify the language described in 4(a) so it is more understandable and clear to its ratepayers. Provide a detailed answer as to why or why not.
- c. Explain if Kentucky Power will work with Citibank to place the maintenance fee information on the front page of the letter to ensure the ratepayers are fully informed of the potential fee. Provide a detailed answer as to why or why not.
- d. Will Kentucky Power work with Citibank to ensure that the letter accompanying the prepaid card is more consumer friendly? For example, on page 1 of 2 where it discusses alternative ways to access the refund, it would be informative to the customer if it stated that the electronic transfer and paper check options are free of charge? Explain in full detail why or why not.

RESPONSE

- a. Please see the Company's response to KPSC 2-6.
- b-d. The Company will work with Citibank on any issues that arise from customer feedback.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to Staffs First Request, Item 4 and Attorney General's Items 3(a) and 3(d) to answer the below questions:

- a. Why did AEP informally request pricing for similar services from Bank of America and Key Bank instead of engaging in competitive bidding? Explain your answer in full detail.
- b. Why did AEP informally request pricing from only Bank of America and KeyBank in addition to Citibank? Also, describe how Kentucky Power chose the three banks that it contacted. Explain the answer in full detail.

RESPONSE

- a. American Electric Power Service Corporation worked with Citibank to reach an agreement that would meet the needs of the AEP operating companies and their customers at a price that was at or below market. To confirm the reasonableness of its pricing, the AEPSC informally sought bids from Key Bank and Bank of America. Those bids suggested that the pricing Kentucky Power received from Citibank was below market.
- b. American Electric Power Service Corporation sought informal pricing proposals from a large bank (Bank of America) and mid-size bank (Key Bank). AEPSC chose to solicit the informal bids [from banks with which it had a long-standing relationship](#) to ensure the institutions had the ability to perform under the terms of any agreement.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response in the form of a confidential attachment to Staffs First Request, Item 5 and the Attorney General's Item 3(e) to answer the following questions:

- a. Under the contract with Citibank, does Kentucky Power pay the bank any monies other than the fee for a prepaid card or when the Company requests a check to be issued to a customer? For example are there any Jump sum payments to Citibank for handling the refunds, bonus incentives, etc. Please explain the answer in full detail.
- b. Does Citibank charge Kentucky Power a fee when the customer requests a paper check instead of the prepaid card? If not, then how is Citibank reimbursed for issuing the paper check?
- c. Does Citibank charge Kentucky Power a fee when the customer requests an electronic funds transfer? If not, then how is Citibank reimbursed for processing the transfer?

RESPONSE

- a-c. No. The only fees paid by Kentucky Power are those agreed to in the contract. Kentucky Power is not privy to Citibank's costs or how they are recovered by Citibank.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to Staffs First Request, Item 9. If a Kentucky Power customer contacts its customer service department will the Company assist with any issues that may arise in regards to refunds via prepaid cards, or merely advise the customer to contact Citibank?

RESPONSE

The Company's customer service center will address customer inquiries regarding the amount of the refund and the basis for the refund. The Company's customer service center will refer questions regarding the Citibank prepaid card (e.g. the use and features of the card) to Citibank which is better positioned to address such issues.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to Staff's First Request, Item 15 to answer the following questions:

- a. Provide a detailed explanation concerning the issues that customers experienced with an online site, and confirm it was Citibank's online site.
- b. Provide a detailed explanation of the improved communications with the customers and changes to the online site.

RESPONSE

- a. The principal issue was the hesitancy of some customers to provide an e-mail address as a prerequisite to using the web site. Customers choosing not to provide an e-mail address may receive the same services by calling the "800" number. Customers calling the "800" number are not required to provide an e-mail address.
- b. No changes have been made to Citibank's online site. The customer call centers serving American Electric Power Company operating companies using the Citibank prepaid Visa card have broadened the information provided customers concerning the prepaid card process. The AEP operating companies providing prepaid cards also have better delineated the division of responsibility for customer inquiries. The Customer Operations Center will continue to respond to inquiries concerning the amount and basis for the refund. Inquiries concerning the prepaid cards, refund checks, and ACH transfers are now referred to Citibank, which is better positioned to address such issues, for resolution.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to Staffs First Request, Item 16 and explain in full detail why due diligence letters are not sent to customers that have a refund for less than \$50.00. Please also include what policy or procedure Kentucky Power relies upon for implementation of this process.

RESPONSE

Such notification is not required by law. 20 KAR 1:080 obligates Kentucky Power to send due diligence letters only to customers with unclaimed amounts greater than \$100.00. Although not required to do so by the Kentucky Department of the Treasury, Kentucky Power also sends due diligence letters to customers with unclaimed amounts of \$50.00 to \$100.00.

Kentucky Power's procedures meet or exceed the requirements of the law, including 20 KAR 1:080. The letters are sent not more than 120 days or less than 60 days before the date of filing the annual escheatment report, and contain the dollar value and customer account number associated with the original payment. Payments are reissued at 100% of the value to customers who return signed letters prior to the annual escheatment filing. Amounts are escheated for those accounts for which the letters that are not returned in time or not returned at all.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to the Attorney General's, Item 3(g) and provide the estimated savings that Kentucky Power has determined it will achieve by transferring responsibility for payment liability to Citibank, and avoiding the liability and expense associated with lost, stolen, and fraudulent checks. Explain your answer in full detail.

RESPONSE

Kentucky Power has not quantified the savings. Although the Company believes the savings are a benefit to it and its customers, their amount is minimal and their availability was not outcome determinative.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to the Attorney General's, Item 3(j). Explain in full detail why Kentucky Power refuses to recognize that by forcing its customers to reject the refund via prepaid card and take additional steps to contact Citibank if a paper check or electronic transfer is desired will be inconvenient and time consuming for the customer? Explain the answer in full detail.

RESPONSE

The premises of the question – that prepaid cards are not acceptable to utility customers as a means of making refunds and that a phone call or web site visit is deemed “inconvenient and time consuming” by customers – have not been borne out by the experience of the American Electric Power operating companies issuing prepaid cards as a default means of making refunds. In addition, as indicated by the Federal Reserve System studies referenced at paragraphs 7 and 8 of the application, prepaid cards “continued to be the fastest growing noncash payment type ... [with] ... 3.1 billion general purpose prepaid card transactions in [2012] ...” and that such cards “are a ubiquitous disbursement mechanism in the government sector.”

The Company reviews its processes in light of customer feedback and will continue to do so in the future. Please see the response to KPSC 1-15.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to the Attorney General's, Item 5(a). Provide the evidence that Kentucky Power has to support the assertion that customer satisfaction did not decrease for the roughly 1,500 customers that preferred a refund via check or electronic transfer instead of the prepaid card. If there is no evidence to support this statement then how does Kentucky Power justify its response?

RESPONSE

Kentucky Power did not assert that “customer satisfaction did not decrease for the approximately 1,500 customers who preferred a refund via check or electronic transfer.” Instead, the data request required the Company to 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.” The Company was unable make the required admission for the following reasons. First, on its face the data request requires the Company to speculate concerning the relationship between having to make a phone call or visit a website to obtain a check in lieu of the prepaid Visa card, and customer satisfaction: “*will likely* lead to decreased customer speculation.” (emphasis supplied). Second, the Company lacked any evidentiary basis upon which to make the requested admission. Third, the data request inappropriately conflates customers replacing prepaid cards with ACH transfers and customers replacing prepaid cards with checks. 1,073 (or approximately 75%) of the 1,462 customers who replaced the prepaid Visa card with a different refund method chose ACH transfers. ACH transfers were not previously offered and are being offered only as a result of the agreement with Citibank. The data request nonetheless required Kentucky Power to speculate that customers provided a new option (ACH transfers), and who chose that new option at three times the rate of those choosing the previous default option (checks), experienced decreased customer satisfaction as a result of being provided the new option of ACH transfers.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference Kentucky Power's response to the Attorney General's, Item 6(b). Provide a detailed answer to the original question posed.

RESPONSE

The question posed required only a "yes or no" answer. The Company responded "no."

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reference the Testimony of John Rogness, page 9, lines 18-21. Kentucky Power cites as one of the benefits of customers receiving prepaid cards the avoidance of taking time to travel to the bank to cash or deposit a check. Please confirm whether Kentucky Power is aware that for its customers who have bank accounts, they can utilize a mobile phone or tablet application to easily deposit a check, normally free of charge, from any location. Explain your answer in detail.

RESPONSE

Kentucky Power confirms it is aware that some banks offer customers the option of depositing a check using a mobile phone or tablet. Not all banks offer this option and the service is not acceptable to, or used by, all customers with access to the service.

WITNESS: John A Rogness