

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

Refer to Kentucky Power's response to Commission Staffs First Request for Information ("Staffs First Request"), Item 3. Kentucky Power states that the current agreement with Citibank has a two-year term.

- a. At the conclusion of the two-year term, explain whether Kentucky Power will allow other financial institutions to bid for the prepaid card service.
- b. Does the agreement expire at the conclusion of the two-year term or does it automatically extend for another two-year period?

RESPONSE

- a. The Company's current intention is not to issue an RFP prior to the expiration of the current agreement if Citibank agrees to extend the agreement on the same terms and conditions, including pricing, and if Citibank has provided satisfactory service over the initial term. The Company believes that the current pricing and terms are sufficiently favorable to market as to make the issuance of an RFP an unnecessary expense.

If Citibank is unwilling to extend the contract on the same terms and conditions, or fails to provide satisfactory service, American Electric Power Service Corporation, on behalf of Kentucky Power and its affiliated operating companies, will evaluate options for using prepaid cards to make refunds. No decision has been made at this time concerning what methodology, including the issuance of an RFP, will be employed to make the evaluation.

- b. The agreement does not automatically renew at the conclusion of the current two-year term. Paragraph 20(a) of the agreement provides "[t]his Agreement may be renewed upon written agreement of the parties prior to the expiration of the Initial Term, for the period of time set forth in such agreement.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Staffs First Request, Item 10. Explain the large increase of refunds in March 2015

RESPONSE

The correct amount of refunds for March 2015 was \$7,343.22 instead of \$37,375.83. Kentucky Power apologizes for the error.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the application. Direct Testimony of John A. Rogness ("Rogness Testimony"), pages 4-5, regarding the customer information to be provided to Citibank. Confirm that the only customer information that Kentucky Power will provide to Citibank will be the name of the party to receive a refund, the last known mailing address, and the refund amount, and that no other information will be provided to Citibank.

RESPONSE

Confirmed.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 7, lines 19-21, which state that the funds loaded on to a prepaid card will not expire. Reconcile this statement with the expiration period stated in the Confidential Response to Staff's First Request, Item 5, under the heading "Program Description."

RESPONSE

"Confidential Response to Staff's First Request, Item 5 ("Program Description") refers to the expiration of the card and not the funds loaded on the card. The unused funds on a card do not expire. After the initial 2 year expiration date is reached, a replacement card may be obtained at no charge. A replacement fee of \$6.95 will be assessed for replacement cards subsequent to the first replacement card. *See also* Application Exhibit, 2 page 2 of 2, "Expiration Date" "AVAILABLE FUNDS DO NOT EXPIRE: While there is a card expiration date embossed on the front of your CITI PREPAID SERVICES Card , the funds on your CITI PREPAID SERVICES Card do not expire..." (emphasis in original).

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Confidential Response to Staff's First Request, Item 5. Explain what "payment reversals" are, and what scenarios give rise to the need for a payment reversal. Explain whether other American Electric Power subsidiaries have incurred substantial fees due to payment reversals.

RESPONSE

Payment or account reversals, which are uncommon, occur when a refund must be re-issued in a different name. For example, where the spouse in whose name the account is maintained dies, and the Company is not informed by the surviving spouse of the death, any refund will be issued in the name of the now-deceased account holder. If the surviving spouse cannot negotiate the refund in the deceased spouse's name (for example the estate has closed) the Company may reverse the refund and then re-issue the refund in the surviving spouse's name.

For the period April 20, 2015 through January 31, 2016, the American Electric Power operating companies made 8 payment reversals in connection with over 70,000 checks issued (0.011% refund reversal rate), and 4 payment reversals in connection with over 45,000 cards issued (.009% refund reversal rate).

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to the Attorney General's Initial Request for Information, Item 4.a., concerning a monthly maintenance fee. The response states that the \$3.00 monthly maintenance fee "will be charged prospectively if the full card balance is not used within 6 months." (Emphasis added). Reconcile this statement with the fee schedule in the application, shown at the bottom of Exhibit 2, page 2 of 2, footnote 1, which states that "a monthly fee will be applied to all accounts, provided that the fee for months 1-6 will not be collected until the sixth month anniversary date." (Emphasis added).

RESPONSE

The Company's response to AG 1-4(a) is ambiguous in light of footnote 1 on page 2 of 2 of Application Exhibit 2. Without regard to account inactivity, a maintenance fee will not be charged during the first six months after the issuance of the card. Beginning in the seventh month following the issuance of card, a \$3.00 monthly maintenance will be charged in each month in which during the prior 90-day period no purchases were made using the prepaid card. This "lookback" period is a rolling 90-day period. The following examples may help further clarify the operation of the maintenance fee and the Company's response to AG 1-4(a).

1. Customer receives a card on January 1 and makes a purchase using the entire card balance on June 30. As of July 1 the account will be six months old. Because the balance is zero on July 1 there will never be a maintenance fee assessed.
2. Customer receives a card on January 1 and makes multiple purchases using the card and reducing the card balance to zero on or before June 30. As of July 1 the account will be six months old. Because the balance is zero on July 1 there will never be a maintenance fee assessed.

3. Customer receives card on January 1 and makes a purchase using a portion of the card balance on May 5. There is no further purchase activity prior to June 30. As of July 1 the account will be six months old. Because there was purchase activity within the 90-day look back period prior to July 1, no maintenance fee will be assessed in July. Similarly, if no purchase is made in July a maintenance fee will not be assessed in August because the May 5 purchase falls within the 90-day August 1 look back period. If there is no further purchase activity on the account in August there will be a recurring \$3.00 charge each month beginning in September until the balance is zero or a purchase is made.
4. Customer receives card on January and makes a purchase using a portion of the card balance in January using the card. Customer does not use the card again to make a purchase prior to June 30. As of July 1, the account will be six months old. Because there was no purchase activity with the 90 day period prior to July 1, there will be a recurring \$3.00 charge each month until the balance is zero or a purchase is made.
5. Customer receives card on January and does not make a purchase using the card prior to June 30. A purchase is made using the card in July. As of July 1, the account will be six months old. Because there was no purchase activity with the 90-day look back period prior to July 1 there will be a \$3.00 charge imposed in July. No charge will be imposed in August or September because there was activity within the 90-day look back period for each month. If no further purchases are made using the card, a recurring \$3.00 maintenance charge will be imposed each month beginning in October until the balance is zero or a purchase is made.
6. Customer receives a card on January 1 and never makes a purchase using the card prior to June 30. As of July 1, the account will be six months old. Because there was no purchase activity within the 90-day look back period prior to July 1 there will be a \$3.00 charge imposed in July. A recurring \$3.00 maintenance charge will be imposed in each subsequent month until the balance is zero or a purchase is made.

WITNESS: John A Rogness