VERIFICATION

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

John A Rogness III

COMMONWEALTH OF KENTUCKY)
) Case No. 2016-00281
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 12th day of August 2016.

Judy K Rasquist 481393
Notary Public

My Commission Expires: January 23, 2017

DIRECT TESTIMONY OF
JOHN A. ROGNESS III, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

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DIRECT TESTIMONY OF
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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is John A. Rogness III. My position is Director, Regulatory Services for Kentucky Power Company. My business address is 101 A Enterprise Drive, Frankfort, Kentucky 40602.

II. BACKGROUND

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I received a Bachelor of Science in Economics from the University of Chattanooga in 1980, a Master of Science in Economics from Vanderbilt University in 1984 and a Ph.D. in Economics from the University of Kentucky in 1991.

In January 1990, I began working in the Kentucky Office of Financial Management and Economic Analysis. From July 1991 – September 1998, I served as an Economist with the Kentucky Public Service Commission (KPSC). From September 1998 – July 2010 I served as Manager of the Management Audit Branch at the KPSC. From August 2010 – September 2012 I served as the Director of the Financial Analysis Division at the KPSC. From October 2012 – March 2014, I served as the Director, Energy Generation, Transmission and Distribution at the Department for Energy Development and Independence in

Kentucky's Energy and Environment Cabinet. On March 17, 2014, I began my duties as Director of Regulatory Services for Kentucky Power Company.

Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR, REGULATORY SERVICES?

A. As Director of Kentucky Power's Regulatory Services, I am responsible for the rate and regulatory matters of Kentucky Power. This includes the preparation and coordination of the Company's testimony and exhibits in rate cases and any other formal filings before this Commission. In addition, I am responsible for assuring the proper application of the Company's rates and tariffs to all classes of business.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I filed testimony and testified in previous fuel proceedings, Case No. 2014-00225, 2014-00450, 2015-00232, 2016-0001, and in the rate case filing, Case No-00396. I also filed testimony in the Economic Development Rider proceeding, Case No. 2014-00336, the Company's request for a deviation in transmission line inspection filing, Case No 2014-479, the Company's Big Sandy ash impoundment closure filing, Case No. 2015-00152, and in the Company's previous DSM filing, Case No. 2015-00271.

III. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I first present and discuss the Company's proposed DSM Program Plan ("2017 Program Plan.") As a part of Kentucky Power's 2017 Program Plan, the Company is proposing changes to Company DSM programs that offer CFL light bulbs. The changes are a result of the faster-than-anticipated evolution of the lighting industry. The Company also is proposing to expand the Appliance Recycling program (Tariff Sheet 22-15) to permit commercial customers having peak bill demand of less than 100 kW to participate. I also describe text changes to certain of the Company's tariffs. Third, I provide the information the Commission requested in its March 11, 2016 Order in Case No. 2015-00271 regarding the Company's industrial customers. Fourth, I support the program cost (Schedule C) and the resulting DSM surcharge factors. Finally, I recommend that the Commission approve the changes to the Company's proposed DSM Plan, the corresponding tariffs, and the new surcharge factors.

IV. PROPOSED CHANGES TO THE COMPANY'S RESIDENTIAL PROGRAMS

A. Changes Related To The Evolution Of The CFL/LED Bulb Market.

Q. IS THE COMPANY PROPOSING CHANGES TO ANY OF ITS EXISTING RESIDENTIAL PROGRAMS?

A. Yes, the Company is modifying five programs to reflect the sooner-than-anticipated phasing out of CFL bulbs nationwide. These changes in turn are expected to affect the availability of CFL bulbs currently being used in the Targeted Energy Efficiency program (Tariff Sheet 22-3), the Energy Education for Students program (Tariff Sheet 22-5), the Community Outreach program (Tariff Sheet 22-6), the Residential Efficient Products program (Tariff Sheet 22-7), and the Whole House Efficiency program (Tariff Sheet 22-16). Participants in these programs are eligible to receive an incentive for the purchase and installation of efficient CFL and LED lighting, or are provided efficient lighting products as part of an EE kit, or have CFL or LED bulbs installed as part of the weatherization service. The modified programs will substitute LED bulbs for CFL bulbs as current stocks of CFL bulbs are used.

Q. WILL THESE CHANGES NECESSITATE CHANGES TO THE REFERENCED TARIFFS?

A. The Residential Efficient Products tariff (Tariff Sheet 22-7) refers to CFL bulbs and will require a text change. The other referenced tariffs do not reference CFL bulbs and hence will not be amended to reflect the substitution of LED bulbs for CFL bulbs. **EXHIBIT 7** to the Application includes the amended Residential Efficient Products tariff sheet.

Q. DESCRIBE THE CHANGES OCCURRING IN THE MANUFACTURED LIGHTING INDUSTRY.

A. In February 2016, GE announced that it would cease manufacturing CFL bulbs. In addition, in early 2016 Walmart announced that it will stop carrying Walmart-branded CFL bulbs. While Walmart will still carry other brands of CFL bulbs, the assumed timeline for phasing out CFLs in the Company’s service territory has advanced with GE’s and Walmart’s announcements. Moreover, Honeywell, the implementation contractor for the Whole House Efficiency program, is transitioning away from CFL bulbs to LED bulbs. As a result, the availability of CFLs for multiple DSM programs in the Company’s service territory will be limited much sooner than was projected in the Program Plan.

Q. WILL THESE CHANGES IN CFL BULB AVAILABILITY AFFECT THE OPERATION OF THE COMPANY'S DSM PROGRAMS IN OTHER WAYS?

A. Yes. The projected net energy savings from the Residential Efficient Products program was premised on the continuing availability of CFLs through 2019.[1] See JAR-Exhibit 1. It now appears that once CFL bulbs are no longer widely available the combined CFL/LED population of bulbs (which are the two most efficient types of lighting available) will be reduced as consumers select less efficient legacy lighting products before transitioning to LED bulbs. Thus, for example, Kentucky Power is informed by its vendor that the "take" rate for LED bulbs in the short run will be less than it would have been for CFL bulbs. As a result, energy savings from the lighting component of the REP program may not be as high as projected in the next few years.

B. Modification Of The Whole House Efficiency Tariff.

Q. IS THE COMPANY PROPOSING TO MAKE ANY OTHER CHANGES TO ITS RESIDENTIAL PROGRAMS?

A. Yes. The Company is modifying the text of the Availability of Service and Program Description sections of the Whole House Efficiency tariff (Tariff Sheets 22-16 and 22-18) to clarify the tariff by better describing the availability of eligible measures. In addition, the Seasonal Energy Efficiency Ratio ("SEER")

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[1] See "Demand Side Management Program Plan," *In the Matter of: Application of Kentucky Power Company For (1) Authority To Modify Certain Existing Demand Side Programs; (2) Authority To Implement New Programs; (3) Authority To Discontinue Certain Existing Demand Side Programs; (4) Authority To Recover Costs and Net Lost Revenues, And To Receive Incentives Associated With The Implementation Of The Programs; And (5) All Other Required Approvals and Relief*, Application Exhibit 6, Page 42-44 of 105 (Ky. P.S.C. Filed September 15, 2015).

required to receive the $300-400 incentive for replacing resistance heating with a heat pump has been increased from 14 to 14.5 to reflect changing standards.

C. Expansion Of The Appliance Recycling Program.

Q. IS THE COMPANY PROPOSING TO MAKE CHANGES TO ANY OTHER EXISTING RESIDENTIAL PROGRAMS?

A. Yes. The Company seeks authority to expand the Appliance Recycling program to small commercial customers in Kentucky Power's service territory having peak bill demand less than 100 kW. Commercial sized appliances (i.e., restaurant-sized walk in refrigerators) are not eligible.

Q. WHY ARE COMMERCIAL-SIZED APPLIANCES NOT ELIGIBLE?

A. ARCA Recycling Inc., Kentucky Power's contractor for the Appliance Recycling Program, is not able to recycle larger commercial sized appliances; thus the program for both residential and eligible commercial customers is limited to secondary operational refrigerators and freezers between 10 and 30 cubic feet.

Q. WILL EXPANDING THE APPLIANCE RECYCLING PROGRAM TO SMALL COMMERCIAL CUSTOMERS ALTER THE PROGRAM IN ANY OTHER WAY?

A. No. The program will operate in the same manner as it does today. The proposed incentives are the same ($50 - $70) for commercial customers recycling a second refrigerator or freezer in good working order.

Q. IS THE APPLIANCE RECYCLING PROGRAM EXPECTED TO BE COST EFFECTIVE AFTER SMALL COMMERCIAL CUSTOMERS ARE ADDED TO THE PROGRAM?

A. Yes. The performance data presented in the DSM Program Plan for the Appliance Recycling program indicates that the proposed expansion of the program to commercial customers will be cost effective under all three participation scenarios.[2]

- Low TRC 1.10 (2017) – TRC 1.22 (2025)
- Mid TRC 1.11 (2017) – TRC 1.23 (2025)
- High TRC 1.09 (2017) – TRC 1.21 (2025)

See **APPLICATION EXHIBIT 2**. The expanded program will be analyzed during the next DSM impact evaluation to be completed during 2018.

Q. IF THE DSM PROGRAM PLAN FOR THE APPLIANCE RECYCLING PROGRAM MODELED THE PROGRAM BEING OFFERED TO BOTH RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS, WHY DID THE COMPANY INITIALLY OFFER THE PROGRAM TO RESIDENTIAL CUSTOMERS ONLY?

A. The Company made multiple changes to its DSM portfolio in its last filing and Kentucky Power wanted to make sure it was not outstripping its ability to manage the changes. In addition, the Appliance Recycling program was offered to residential customers initially in order to gain experience with the program prior to rolling it out to a larger population.

V. INDUSTRIAL DSM PROGRAMS AND INDUSTRIAL CUSTOMER OPT-OUT

Q. DID THE COMMISSION ORDER THE COMPANY TO EXAMINE ITS INDUSTRIAL CUSTOMERS AND THE OPT-OUT PROVISION UNDER

[2] *Id*. at page 52 of 105.

KRS 278.285(3) FOR INDUSTRIAL CUSTOMERS WITH ENERGY INTENSIVE PROCESSES ?

A. Yes.

Q. PLEASE SUMMARIZE THE COMMISSION'S DIRECTIONS IN CASE NO. 2015-00271 CONCERNING THE NEED TO EXAMINE THE ADDITION OF INDUSTRIAL PROGRAMS TO THE COMPANY'S PORTFOLIO.

A. In its March 11, 2016 order, the Commission noted that KRS 278.285 (3) did not provide a categorical opt-out for industrial customers from utility-offered DSM programs.[3] Rather, the statute employs a two-part analysis to determine whether an industrial customer is eligible to opt out. First, the customer must be an energy intensive industrial customer; second, the industrial customer must have adopted cost-effective energy efficiency measures. In its order, the Commission directed Kentucky Power to address the following issues in this DSM application:

1) The number of customers that it has heretofore classified as industrial for purposes of KRS 278.285(3);

2) Of these industrial customers, the number that are energy intensive users and the basis for that determination;

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[3] *In The Matter Of: Application Of Kentucky Power Company For (1) Authority To Modify Certain Existing Demand-Side Management Programs; (2) Authority To Implement New Programs; (3) Authority To Discontinue Certain Existing Demand-Side Management Programs; (4) Authority To Recover Costs And Net Lost Revenues, And To Receive Incentives Associated With The Implementation Of The Programs; And (5) All Other Required Approvals and Relief*, Case No. 2015-00271 at 14-15 (Ky. P.S.C. March 11, 2016) ("2015 DSM Order").

3) The number of customers that are not energy-intensive customers, and cost/effective DSM programs that could be developed or modified for their benefit.[4]

Q. WITH RESPECT TO THE COMMISSION'S FIRST DIRECTIVE HOW MANY CUSTOMERS HAS KENTUCKY POWER HERETOFORE CLASSIFIED AS INDUSTRIAL?

A. Currently, Kentucky Power has 1,303 metered industrial customers.

Q. WHAT CRITERIA DID THE COMPANY USE IN IDENTIFYING THESE CUSTOMERS AS INDUSTRIAL CUSTOMERS?

A. The Company used Standard Industry Classification (SIC) codes. The Major Group SIC codes used to identify the Company's industrial customers included:

Major Group 10: Metal Mining
Major Group 12: Coal Mining
Major Group 13: Oil And Gas Extraction
Major Group 14: Mining And Quarrying Of Nonmetallic Minerals, Except Fuels
Major Group 20: Food And Kindred Products
Major Group 21: Tobacco Products
Major Group 22: Textile Mill Products
Major Group 23: Apparel And Other Finished Products Made From Fabrics And Similar Materials
Major Group 24: Lumber And Wood Products, Except Furniture
Major Group 25: Furniture And Fixtures
Major Group 26: Paper And Allied Products
Major Group 27: Printing, Publishing, And Allied Industries
Major Group 28: Chemicals And Allied Products
Major Group 29: Petroleum Refining And Related Industries
Major Group 30: Rubber And Miscellaneous Plastics Products
Major Group 31: Leather And Leather Products
Major Group 32: Stone, Clay, Glass, And Concrete Products
Major Group 33: Primary Metal Industries
Major Group 34: Fabricated Metal Products, Except Machinery And Transportation Equipment

[4] *Id*. at 16.

Major Group 35: Industrial And Commercial Machinery And Computer Equipment
Major Group 36: Electronic And Other Electrical Equipment And Components, Except Computer Equipment
Major Group 37: Transportation Equipment
Major Group 38: Measuring, Analyzing, And Controlling Instruments; Photographic, Medical And Optical Goods; Watches And Clocks
Major Group 39: Miscellaneous Manufacturing Industries
Major Group 40: Railroad Transportation
Major Group 46: Pipelines, Except Natural Gas
Major Group 49: Electric, Gas, And Sanitary Services

Q. HAS THE COMPANY BEEN ABLE TO IDENTIFY WHICH OF THESE INDUSTRIAL CUSTOMERS EMPLOY "ENERGY INTENSIVE PROCESSES"?

A. Not to date.

Q. WHY HAS THE COMPANY BEEN UNABLE TO DEVELOP A DEFINITION OF ENERGY INTENSIVE PROCESS?

A. There is no generally-accepted definition of "energy intensive process." The term is undefined by Chapter 278 of the Kentucky Revised Statutes, the Commission's regulations, and its decisions. In fact, in Case Nos. 2014-00371 and 2014-00372 the Commission approved a settlement agreement in which Kentucky Utilities Company and Louisville Gas & Electric Company were directed to develop a definition of the term "industrial" and to propose criteria for determining whether an industrial customer qualified for the "opt-out" provided by KRS 278.285(3).[5] This second inquiry seemingly requires the determination of what constitutes an

[5] *See* Order, *In The Matter Of: Application Of Kentucky Utilities Company For Adjustment Of Its Electric Rates*, Case No. 2014-00371 at 9 (Ky. P.S.C. June 30, 2015).

"energy-intensive process" and what constitutes cost-effective energy efficiency measures.[6]

Q. WERE THERE ANY OTHER IMPEDIMENTS TO DEVELOPING A DEFINITION OF ENERGY INTENSIVE PROCESS?

A. Yes. The definition should be easily understood by the Kentucky Power's customers and easily administered by the Company. The Company continues to work to develop such a definition. The effort is complicated by the fact that there are customers that consume large amounts of electricity that have not heretofore been classified as industrial, but who argue that their processes are energy intensive and that they should be eligible to opt-out under KRS 278.285(3). For example, in case 2014-00003[7], Walmart argued that the use of industrial codes, such as the Company has heretofore employed, is not the proper benchmark to use to identify industrial customers who in turn may be eligible for the opt-out provision of KRS 278.285(3). Instead, Wal-Mart suggested that any non-residential customer with electric usage aggregated across all of its sites above a benchmark be permitted to elect the opt-out of the utility-sponsored DSM programs.[8]

Q. HOW DOES THE COMPANY PROPOSE TO PROCEED WITH ADDRESSING THE SECOND AND THIRD PARTS OF THE COMMISSION'S CHARGE TO IT IN CASE NO. 2015-00271?

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[6] *Id*.

[7] Post-Hearing Brief of Wal-Mart Stores East, LP, and Sam's East, Inc.,*Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company For Review, Modification, and Continuation of Existing, and Addition of New, Demand Side Management and Energy Efficiency Programs*, Case No. 2014-00003 at 6-8 (Ky. P.S.C. Filed September 30, 2014). .

[8] See *id.* at 9; Testimony of Steve W. Chriss, *In The Matter Of: Application of Kentucky Utilities Company For An Adjustment Of Its Electric Rates*, Case No. 2014-00371 at 20-21 (Ky. P.S.C. March 6, 2015).

A. Kentucky Power has identified two paths forward. The first would be for Kentucky Power to use the process currently being employed by Kentucky Utilities Company and Louisville Gas and Electric Company to address the issue. A DSM Advisory Group, consisting of the Company and representatives of the Office of Attorney General, Kentucky Industrial Utility Customers, Inc., Sierra Club, and smaller industrial customers, would be formed. The group would seek to reach consensus on readily administered and understood definitions of "industrial customer," "energy intensive processes," and "cost-effective energy efficiency measures." This working group, however, may develop a definition different than the definition developed by the LG&E/KU working group.

The second would be for the Commission to establish an administrative case in which all utilities offering DSM programs and representatives of the Office of the Attorney General, Kentucky Industrial Utility Customers, Inc., and smaller industrial customers would work to develop a single definition to be used by all electric utilities in the Commonwealth.

Q. WHY WOULD AN ADMINISTRATIVE CASE BE APPROPRIATE?

A. KRS 278.285(3) applies uniformly to all industrial customers receiving service from regulated electric utilities. Hence, it is reasonable that the definition of an energy intensive user should also be uniform and apply equally to all regulated electric utilities and to all industrial customers. In addition, an industrial customer may have locations in more than one utility service territory. Having differing utility definitions of an energy intensive customer could be an additional factor that sways an investment decision between one location and another. A uniform definition would help ensure equitable treatment across the state so as to not favor one location in the state or utility over another.

Q. DOES THE COMPANY HAVE A RECOMMENDATION AS TO WHICH PROCESS SHOULD BE USED?

A. Yes. Kentucky Power recommends that the Commission initiate an administrative case to develop standards applicable across the Commonwealth.

Q. BEFORE LEAVING THE ISSUES RAISED BY THE COMMISSION IN CASE NO. 2015-00271 CONCERNING THE OPT-OUT PROVISIONS OF KRS 278.285(3), DID KENTUCKY POWER PREVIOUSLY EXAMINE COST-EFFECTIVE INDUSTRIAL DSM PROGRAMS?

A. Yes. The Demand Side Management Program Plan prepared by Applied Energy Group, Inc. and submitted by Kentucky Power in Case No. 2015-00271 identified the Retro-Commissioning program as a potential cost-effective DSM/EE program for industrial customers.

Q. DID THE COMPANY IN CASE NO. 2015-00271 PROPOSE OFFERING THE RETRO-COMMISSIONING PROGRAM TO ITS INDUSTRIAL CUSTOMERS IN ADDITION TO COMMERCIAL CUSTOMERS?

A. No. Kentucky Power proposed implementing this program for commercial customers only. The Commission approved the commercial Retro-Commissioning program by its Order dated March 11, 2016.[9]

Q. WHY DID KENTUCKY POWER ELECT NOT TO OFFER THE PROGRAM TO ITS INDUSTRIAL CUSTOMERS?

[9] 2015 DSM Order at 17.

A. Due to a prior lack of participation and interest by the Company's industrial customers, Kentucky Power has not offered any industrial programs since December 1999. The Commission approved the Company's request to discontinue industrial programs in its Order dated September 28, 1999 in Case No. 95-00427.[10] In the intervening 16 years Kentucky Power did not receive any indication from its industrial customers of a renewed interest in industrial DSM/EE programs.

VI. DSM SURCHARGE FACTOR

Q. IS THE COMPANY PROPOSING A CHANGE TO ITS DSM SURCHARGE FACTOR?

A. Yes. The Company is proposing to increase the residential surcharge factor from $0.003159 per kWh to $0.007755 per kWh, and the commercial surcharge factor from $0.001835 per kWh to $0.004206 per kWh.

Q. WHAT WILL BE THE EFFECT OF THE PROPOSED INCREASE IN THE RESIDENTIAL DSM SURCHARGE FACTOR ON THE AVERAGE RESIDENTIAL CUSTOMER'S BILL?

A. The average residential customer, consuming 1,243 kWh a month, will experience an increase of $5.71 per month.

Q. WHAT IS THE REASON FOR THE PROPOSED INCREASE?

A. The higher DSM surcharge factors result from increased program spending. In 2016, the Company, in accordance with the Commission's Order in Case No.

[10] Order, *In The Matter Of: The Joint Application Pursuant To 1994 House Bill No. 501 For The Approval Of American Electric Power/Kentucky Power Company (AEP/Kentucky) Collaborative Demand-Side Management Programs, And For Authority To Implement A Tariff To Recover Costs, Net Lost Revenues And Receive Incentives Associated With The Implementation Of The AEP/Kentucky Collaborative Demand-Side Management Programs*, Case No. 95-00427 at 2-4 (Ky. P.S.C. September 28, 1999).

2012-00578,[11] anticipates spending an additional $1 million dollars over 2015 levels on DSM programs. Similarly, in 2015 the Company increased its spending from $4 million to $5 million on DSM programs. The higher rates reflect this increased spending. Second, in the past there has been a timing mismatch between when new DSM rates become effective and the Company's increased DSM spending requirement. The DSM program year used for the Company's annual filing runs July through June. However, the increased DSM spending requirement is based on a calendar year.

To illustrate, the Company increased its annual DSM spending in 2014 to $4 million. The rates designed to recover this increased spending became effective February 2015. Similarly, the Company increased its spending an additional $1 million annually beginning January 1, 2015 but the rates designed to recover that spending became effective April 2016. Thus, the Company's rates have not kept pace with the increased spending.

Q. ARE THERE ANY OTHER FACTORS AT PLAY?

A. Yes. The Company's sales are declining. Revenue collection has not matched anticipated levels due to declining sales and the Company is forecasting lower kWh sales for the July 2016 - June 2017 program period. Finally, another factor contributing to the higher rates is that as the Company adds participants to its programs, the expanded energy savings from those programs contributes to a

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[11] Order, App. A at 9, *In the Matter of: Application of Kentucky Power Company For (1) A Certificate of Public Necessity Authorizing The Transfer To The Company Of An Undivided Fifty Percent Interest In The Mitchell Generating Station And Associated Assets; (2) Approval of the Assumption By Kentucky Power Company of Certain Liabilities In Connection With The Transfer Of The Mitchell Generating Station; (3) Declaratory Rulings; (4) Deferral Of Costs Incurred In Connection With The Company's Efforts To Meet Federal Clean Air Act and Related Requirements; And (5) All Other Required Approvals And Relief*, Case No. 2012-00578 (Ky. P.S.C. October 7, 2013)

higher Lost Revenue recovery component of the total amount to be recovered. The bottom line is that the Company has under-collected $6,173,768 million from the Residential class and $1,461,943 from the commercial class.

Q. WHAT SUPPORT DOES THE COMPANY OFFER FOR ITS CALCULATION OF ITS SURCHARGE FACTORS?

A. "Schedule C," which is filed as **EXHIBIT 4** to the Application, supports the Company's calculation of the surcharge factors being proposed.

VII. MONTHLY DSM REPORT TO THE COMMISSION

Q. HAS THE COMPANY COMPLIED WITH THE ORDER IN CASE NOS. 2014-00271 AND 2015-00271 BY FILING MONTHLY DSM REPORTS?

A. Yes. Kentucky Power files monthly expense reports detailing the Company's budget and the relation between expenditures and the forecast for the year. The Company also provides the Commission information on particular programs in instances where the Company may be over/under budget for the year.

Q. IS THE COMPANY PROPOSING TO MAKE A CHANGE TO THE MONTHLY EXPENSE REPORT FILING?

A. Yes. Kentucky Power anticipates reaching the $6 million spending level agreed to in Case No. 2012-00578 by year–end 2016. Once the Company reaches the required $6 million spending level, and following Commission authorization to do so, Kentucky Power proposes discontinuing the monthly expense reports, which are not required of other utilities.

VIII. COLLABORATIVE REVIEW OF PROPOSED CHANGES

Q. DID THE COMPANY'S DSM COLLABORATIVE REVIEW AND COMMENT ON THE COMPANY'S PROPOSED CHANGES TO THE CURRENT DSM PROGRAM AND THE UPDATED PROGRAM COSTS?

A. Yes. The Company held a Collaborative meeting on May 3, 2016 to review updates to and the performance of DSM programs. In addition, the Collaborative met on July 28, 2016 to review and accept the 2015 / 2016 Status Reports and Schedule C. The members of the Collaborative in attendance voted on July 28, 2016, to accept the Company's Status Reports and Schedule C. Due to a scheduling conflict, the Attorney General's Office was unavailable to attend the Collaborative meeting and did not vote.

Q. HAS THE COMPANY PROVIDED FORM TARIFF SHEETS TO EFFECTUATE PROPOSED CHANGES TO ITS DSM PROGRAMS?

A. Yes. They are attached as **EXHIBIT 7** to the Application.

IX. CONCLUSION

Q. WHAT RELIEF IS KENTUCKY POWER REQUESTING?

A. Kentucky Power requests that the Commission enter an Order:

(a) Approving the modification of its Appliance Recycling Program to permit participation by commercial customers with peak billing demand of less than 100 kW;

(b) Accepting the Company's report in response to the Commission's March 11, 2016 Order in Case No. 2015-00271;

(c) Increasing the residential surcharge factor to $0.007755/kWh, and the commercial surcharge factor to $0.004206 kWh;

(d) Granting the Company leave to discontinue filing its monthly DSM reports;

(e) Approving modifications to Tariff Sheets Nos. 22-1 and 22-2 (Demand-Side Adjustment Clause), 22-7 (Residential Efficient Products), 22-15 (Appliance Recycling), and 22-16 and 22-18 (Whole House Efficiency); and

(f) Granting the Company all other relief to which it may be entitled.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.