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. 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 22nd day of September 2016.

Judy K Rosquist 481393
Notary Public

My Commission Expires: January 23, 2017

Kentucky Power Company

REQUEST

Refer to the Application, page 11, numbered paragraph 23. State why Kentucky Power is seeking relief from the monthly reporting requirements related to the DSM spending provision of the Mitchell Settlement, and explain whether it has considered proposing less frequent reports as opposed to discontinuing them altogether.

RESPONSE

It is Kentucky Power understanding the monthly reports were designed to track its progress toward each of its annual spending obligations. Once Kentucky Power reaches the $6,000,000 maximum target, upon which the monthly reporting is premised, further monthly reporting seemed no longer necessary.

Kentucky Power does not object to providing less frequent reports if useful to the Commission. One alternative would be to file a report by the end of January each calendar year detailing the actual DSM/EE expenditures for the then concluded calendar year. The Company would supplement this report with a report filed in August of each year detailing expenditures for the first six months of that calendar year.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Application, page 12, numbered paragraph 28, where it states, "None of the modifications affected or otherwise addressed the provision quoted in paragraph 20 above." Confirm whether paragraph 20 is the correct reference or whether it should be paragraph 27.

RESPONSE

Paragraph 28 should have referenced paragraph 27 instead of paragraph 20.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Application, Exhibit 2.

a. This report notes that the target market is residential and small commercial; however, in the program description, only residential customers are mentioned. Explain whether this report is limited to residential customers or whether the report's results are based on the combination of residential and small commercial.

b. Explain why this report is the same report as filed for the approval of the Residential Appliance Recycling Program in Case No. 2015-00271.[1]

c. Provide a schedule for the rebate amounts for the small commercial class.

RESPONSE

a. The estimates shown in Exhibit 2 of the Application reflect both residential and small commercial customer's participation in the program. Also, please see pages 6-7 of Mr. Rogness' testimony.

b. The report reflects the most recent information currently available to the Company concerning the Appliance Recycling Program. It is an excerpt from the Applied Energy Group's August 10, 2015 Final Report to Kentucky Power. Although the AEG Final Report was premised on both residential and small commercial customer participation, the Company initially offered the program to residential customers only. With more experience with the program and a new program contractor, ARCA Recycling Inc., the Company is proposing to extend the program to its small commercial customers.

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[1] Case No. 2015-00271, 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 (Ky. PSC Mar. 11, 2016).

c. The current range is $50 to $70 depending on customer participation and market conditions. Kentucky Power may offer special promotions to increase program participation.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Application, Exhibit 3.

a. Refer to page 2 of 72 and page 37 of 72.

   (1) Provide a breakdown of the transmission and distribution ("T&D") losses by type, and explain how the amounts were determined.

   (2) Explain why the T&D losses applied to the average customer annual net energy savings decrease from 9.0 percent, on page 2 of 72, to 8.6 percent, on page 37 of 72.

   (3) Explain why the peak demand T&D losses applied to the projected winter/summer demand reductions increase from 10 percent to 12.4 percent.

b. Refer to page 4 of 72. Also refer to Case No. 2015-00271 , Exhibit 2, page 3 of 63. Explain why the sum of the program to date ("PTD") savings as of December 31 , 2014, and the year to date ("YTD") savings as of December 31 , 2015, for all items listed does not equal the PTD results as of December 31 , 2015.

c. Refer to page 7 of 72. Explain why the anticipated peak demand reduction for the summer season is negative for the High Efficiency Heat Pump -Mobile Home DSM Program.

d. Refer to page 38 of 72. As of June 30, 2016, the YTD Total Efficiency/Maximizing Incentive is $250,906. On page 3 of 72, as of December 31, 2015, the PTD Total Efficiency Maximizing Incentive is $3,512,383. Explain why the sum of the June 30, 2016 YTD Total Efficiency/Maximizing Incentive and the December31, 2015 PTD Total Efficiency/Maximizing Incentive does not equal the listed June 30,2016 PTD total of $3,776,528.

e. Refer to page 39 of 72. As of June 30, 2016, the YTD Energy Savings total is 13,678,209 kWh. On page 4 of 72, as of December 31, 2015, the PTD Energy Savings total is 650,498,453 kWh. Explain why the sum of the June 30, 2016 YTD Energy Savings total and the December 31 , 2015 Energy Savings total does not equal the June 30, 2016 PTD total of 666,572,605 kWh.

f. Refer to page 45 of 72.

(1) Confirm the number of PTD participants for each Residential Efficient Product.

(2) Explain why the sum of the YTD Efficiency Incentives as of June 30, 2016 of $98,497 and the PTD Efficiency Incentives as of December 31, 2015, on page 14 of 72, of $955,859 does not equal the PTD Efficiency Incentive of $1,067,594 on page 45.

(3) Explain why the sum of the YTD Total Costs as of June 30, 2016, of $1,445,332 and the PTD Total Costs as of December 31, 2015, on page 14 of 72, of $5,732,496 does not equal the PTD Total Costs of $7,191,066.

g. Refer to page 48 of 72.

(1) Confirm the number of single family audits and rebates performed PTD.

(2) Provide the expense forecast for 2017, as the bottom of the page is cut off.

h. Refer to page 58 of 72. Confirm that the expense forecast of $50,000 is for 2017, not 2016.

i. Refer to page 59 of 72. Confirm that the customer sector for the Commercial Appliance Recycling is Commercial, not Residential.

RESPONSE

a.

1. The losses were computed based on loss data that is included with the Kentucky Power Company Analysis of System Losses reports dated March 2016 and April 2013. The reports are filed with this response as KPCO_R_1_4_Attachment1 and KPCO_R_1_4_Attachment2. A summary of the computations are attached as KPCO_R_1_4_Attachment3.

2. The T&D losses applied to the average customer annual net energy savings of 9.0 percent shown on page 2 of 72 is from the 2015 DSM Status Report, which in turn is based on the Kentucky Power Company System Loss Report issued April 2013 (see KPCO_R_1_4_Attachment1). The T&D losses applied to the average customer annual net energy savings of 8.6 percent shown on page 37of 72 is from the 2016 DSM Status

Report, which in turn is based on the Kentucky Power Company System Loss Report issued March 2016 (see KPCO_R_1_4_Attachment2).

3. The peak demand T&D losses of 10 percent applied to the projected winter/summer demand reductions and shown on page 2 of 72 is from the 2015 DSM Status Report, which in turn is based on the Kentucky Power Company System Loss Report issued April 2013 (see KPCO_R_1_4_Attachment1). The peak demand T&D losses of 12.4 percent applied to the projected winter/summer demand reductions and shown on page 37 of 72 is from the 2016 DSM Status Report, which in turn is based on the Kentucky Power Company System Loss Report issued March 2016 (see KPCO_R_1_4_Attachment2).

b. The error occurred due to incorrect transposition of 2014 PTD data associated with the Residential and Commercial HVAC Diagnostic programs. Please see KPCO_R_1_4_Attachment4 for the revised Status Report.

c. Prior to the installation of efficient heat pumps, a significant portion of the customer population included in the program evaluation lacked an existing cooling system, or had a combination window air conditioner and a window fan, or a fan. Upgrading residences with an efficient heat pump produced annual energy savings, but resulted in a slight increase in the summer coincident peak demand, and as a result a negative impact demand savings.

d. Please see the above response to subpart (b).

e. Please see the above response to subpart (b).

f. (1)(2)(3) Please see the above response to subpart (b).

g. (1)(2) Please see the above response to subpart (b).

h. Confirmed. Please see KPCO_R_1_4_Attachment4 for the revised Exhibit 3.

i. Confirmed. Please see KPCO_R_1_4_Attachment4 for the revised Exhibit 3.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit 4.

a. Refer to the Summary Tab. Explain why Kentucky Power is not proposing a higher rate so as to reduce the projected under-collection of $18,989,666 for Residential DSM Programs and $6,234,087 for Commercial DSM Programs.

b. Refer to the Year 2016- 1st Half and Year 2016- 2nd Half tabs.

(1) Explain why Exhibit 3, page 45 of 72, does not list Air Purifiers in its 2016 forecast at the bottom of the page, but the Year 2016- 1st Half tab has 20 listed, and the Year 2016- 2nd Half tab has 26 listed.

(2) Exhibit 3, page 45 of 72, has 1,667 Specialty Energy STAR CFLs forecasted at the bottom of the page, but the sum for the Year 2016- 1st Half and Year 2016 - 2nd Half tabs is zero. Confirm that zero is shown in Exhibit 4 due to the discontinuation of CFL blubs as referenced on page 4 of the Direct Testimony of John A. Rogness Ill ("Rogness Testimony").

(3) Explain why the sum of the total program costs for the Residential Efficient Products Program on the Year 2016 - 1st Half tab and the total estimated program costs for the Residential Efficient Products Program on the Year 2016 - 2nd Half tab does not equal the expense forecast for 2016 of $1,149,206 at the bottom of page 45 of 72 of Exhibit 3.

(4) Explain why the sum of the Whole House Efficiency participants in the Year 2016- 1st Half and Year 2016- 2nd Half tabs does not equal the 2016 forecasted Whole House Efficiency participants as listed in Exhibit 3, page 48 of 72.

c. Refer to tab Year 2017- 1st Half.

(1) Explain why the cumulative participants of 3,504 for the Modified Energy Fitness Program are less than the estimated Cumulative Participants at the end of year 2016 of 4,094 as listed in the Year 2016- 2nd Half tab.

(2) Explain why the $295,573 sum of the Total Estimated

Program Costs for the Residential Efficient Products Program does not match the DSM
Budget for the First Half Year for the same program in Exhibit 6, page 1 of 1, of $490,489.

RESPONSE

a. The Company's proposed rates are based upon an established methodology for cost recovery that has been used by Kentucky Power and approved by the Commission since the first DSM program was implemented in 1996. The Company is open to considering a different methodology. The proposed methodology is anticipated to reduce the under collection for residential customers from $6,134,092 at June 30, 2016 to $1,507,615 by June 30, 2017 and the under collection for commercial customers from $1,462,153 at June 30, 2016 to $1,031,701 at June 30, 2017.

b. 1. In Exhibit 3, page 45 of 72, Kentucky Power reported the actual number of air purifiers for the first half of 2016 (20) in the New Participants section. The Company omitted the participant forecast for 2016 for the air purifiers in the Comments Section. The total forecast for 2016 is 46 participants.

2. Confirmed.

3. The estimated program cost for the 2nd half of 2016 in Exhibit 4 was reported in error. Please see KPCO_R_1_5_Attachment1 for the revised Exhibit 4.

4. Exhibit 3 should state a total participant forecast for 2016 of 3,206. Please see KPCO_R_1_4_Attachment4 for the revised Exhibit 3.

c. 1. There are two reasons for the difference in the values. First, the reported "cumulative participants" does not represent the number of participants since the implementation of the program. The cumulative participants value is used to calculate the Company's net revenue loss. Consistent with the sunset provision introduced with the inception of the Company's DSM Program in Case No. 95-427, the cumulative participants, and hence net revenue loss, are calculated on a rolling three-year basis. Thus, Year 1's net lost revenue (and participants) is not recovered in Year 4, and so forth. The applicable period for calculating cumulative participants is July 2014 to June 2017.

Second, certain "accounting conventions" govern the manner in which cumulative participants are calculated. Cumulative participants is not a running tally of the total number of new customers in a given year. Rather, it is the calculation of the equivalent number of customers participating for a full year. For example, two customer joining effective July 1st of any year, have the same effect as a single customer joining January 1st of the same year. Under this example, the two new customers are equivalent of one cumulative participant. Similarly, four new customers joining effective October 1st of a given year (that is participating for one-fourth of the year) are the equivalent of one cumulative customer (that is one customer joining effective January 1st). Unless all new customers join effective January 1st of a year, the number of cumulative participants will always be less than the total of new customers.

In addition, because participants join at different times throughout the year, the Company employs a half month convention in calculating the number of cumulative participants. Under the convention, participants joining in a particular month are treated as having joined on the 15th day of that month without regard to the actual day of the month their participation began. The convention simplifies calculations without prejudicing ratepayers or the Company, and has been used by Kentucky Power since 1996 when the first DSM Program was implemented.

2. The estimated program cost for the 1st half of 2017 in Exhibit 4 was reported in error. Please see KPCO_R_1_5_Attachment1 for the revised Exhibit 4.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Application, Exhibit 5, page 1 of 2. Provide all presentations and handouts from the July 27, 2016 meeting.

RESPONSE

Please see KPCO_R_1_6_Attachment1.pdf through KPCO_R_1_6_Attachment4.pdf for a copy of all presentations and handouts.

Please note, due to the fact that the Collaborative Meeting occurs a few weeks before the Company's DSM filing (in this case on July 29, 2016), the Collaborative is informed that some of the values in the Status Reports and/or Schedule C could change before the Company makes its filing with the Commission..

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 10.

a. Identify any other jurisdictions within America Electric Power Company, Inc.'s ("AEP") service territory that have defined energy intensive processes and provide the criteria that define each.

b. Provide a description of all industrial DSM programs in other AEP service territories.

c. Describe any Industrial DSM opt-out provisions for other AEP service territories.

RESPONSE

a. Using reasonable efforts, including the Company's research, and consultation with pertinent personnel within American Electric Power Service Corporation, Kentucky Power has determined that no jurisdiction in which a Company affiliate provides service has defined the term "energy intensive process." West Virginia Code 24-2-1j(b)(1) defines a similar term, "energy intensive industrial consumer," as used in the West Virginia statutes governing incentive electric rates, as "an industrial facility, plant or enterprise that has a contract demand of at least fifty thousand kilowatts of electric power at its West Virginia facilities under normal operating conditions."

b. Please refer to KPCO_R_1_7_Attachment1 for a description of industrial DSM programs in other AEP jurisdictions. Along with designing programs that are specific to their service territory, other AEP operating companies that have non-residential DSM programs, do not distinguish between commercial and industrial customers in their DSM programs.

c. Please refer to KPCO_R_1_7_Attachment2 for industrial DSM opt-out provisions in other AEP jurisdictions.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide the name and contact information for the Kentucky Power employee who an Industrial Customer would contact regarding DSM programs.

RESPONSE

While a customer may contact others within the Company initially (i.e. call center, national account managers, local field offices), in depth or supplemental information would be provided by the Company's Energy Efficiency & Consumer Programs Manager:

E.J. Clayton
12333 Kevin Ave.
Ashland, KY 41102
606-929-1693

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

In Kentucky Power's response to Staff's Initial Request for Information in Case No. 2015-00271, Item 2, Kentucky Power responded that the increased incentive for the Appliance Recycling Program was intended to drive added participation in the program. The post-case filing for Case No. 2015-00271 dated Ju:ly 29, 2016, shows that the Appliance Recycling Program is $45,717 below budget.

a. Provide the current incentive payment for the Appliance Recycling Program.

b. If the current incentive payment is less than the maximum, explain why.

c. If the current incentive payment is the maximum, explain why the increased incentive has not resulted in an increase in participation rates.

RESPONSE

a. $55

b. The current $55 incentive payment is unchanged from the incentive payment offered during the 2015 program year. Kentucky Power is informed by its program implementation contractor, ARCA Recycling, Inc., that the Company should meet its participation goal at the current $55 incentive payment level. An increase at this time, even if funds remain in the program budget, would be an imprudent use of customer monies. Kentucky Power retains the authority under the Commission's March 11, 2016 Order in Case No. 2015-00271 to increase the incentive payment to $70 if necessary.

c. Not applicable; the current incentive payment is not at the maximum level.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

In the post-case filing for Case No. 2015-00271 dated July 29, 2016, Kentucky Power was $307,654 below budget as of June 30, 2016. Explain what steps Kentucky Power has taken to ensure it meets its required $6 million expenditure level by the end of 2016.

RESPONSE

Forecast and program plans are developed jointly with implementation service providers and based on the parameters and guidelines established with the Kentucky Power Company 10 year Demand Side Management Plan (Case 2015-00271).

Kentucky Power has expanded contracting resources for implementing the expanded 2016 - 2018 DSM portfolio. Kentucky Power has expanded marketing and promotion for 2016 including contracting with a firm to support development and placement of television advertising for energy efficiency programs. Kentucky Power has also rebranded marketing materials to increase customer interest with the 2016 program portfolio.

In addition, additional resources have been made available for program implementation. These include an expanded field staff for the Whole House Efficiency (previously referred Modified Energy Fitness), Express Install, and New Manufactured Homes programs. Kentucky Power is actively working with contract implementers to develop and expand the number of installation service providers supporting the Whole House Efficiency, Express Install, and Retro Commissioning programs (engineering services for study). Customers now have the option to enroll online (refer to programs: www.kentuckypower.com/save) with three programs; Whole House Efficiency, Appliance Recycling, and Express Install programs). The online enrollment service provides an added option for Company Customer Service and Customer Solution Center staff when responding to customer billing questions and/or inquiry about saving energy in the home or business.

Kentucky Power now employs 6 companies to support implementation services for energy efficiency programs. Additional contracted resources are available for marketing and administration of education curriculum and teacher training applicable with the Energy Education for Students program.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Since school energy managers are funded in part through local property tax assessments and through Kentucky Power's School Energy Manager Program, which is part of its commercial DSM portfolio, explain whether Kentucky Power has considered showing the funding of the School Energy Manager Program as a separate DSM factor line item on the commercial customers' monthly bills. If not, explain why.

RESPONSE

The Company has not considered billing for the School Energy Manager Program as a separate line item on commercial customers' bills. It is the Company's understanding that under the Settlement Agreement and Commission Order in Case No. 2014-00396, and the Commission's Order in 2015-00189, the School Energy Manager Program is part of the Commercial DSM Surcharge. This program is treated like all other DSM programs.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide any revised exhibits based on the responses to this request for information.

RESPONSE

The revised exhibits based on the responses to these requests for information are:

1) KPCO Application Exhibit 3 - Status Report: KPCO_R_1_4_Attachment4

2) KPCO Application Exhibit 4 - Schedule C: KPCO_R_1_5_Attachment1

WITNESS: John A Rogness