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. 2017-00097
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 17th day of March 2017.

Judy K Rosquist 541144
Notary Public

My Commission Expires: January 23, 2021

Witness: John A. Rogness

Q - 1 a. Confirm that Kentucky Power generating capacity includes Kentucky Power's 50 percent undivided interest in the Mitchell Plant of 780 megawatts ("MW"), 280 MW from the Big Sandy Unit 1, and 393 MW from Rockport Plant for a total of 1,453 MW.

b. Confirm that Kentucky Power is a winter-peaking system.

c. Confirm that Kentucky Power's 2015 winter peak was 1,342 MW, per Case No 2016-00413.

d. Confirm that Kentucky Power's 2015 summer peak was 1,097 MW, per Case No 2016-00413.

e. Provide Kentucky Power's 2016 winter and summer peaks.

f. Explain whether Kentucky Power currently has surplus or excess generation.

A - 1 a. Confirmed in part. Kentucky Power's generating capacity, which is detailed at pages 13 and 61 of the Company's 2016 Integrated Resource Plan in Case No. 2016-00413, includes 780 MW from Mitchell Units 1 & 2, 285 MW from Big Sandy Unit 1, and 393 MW from Rockport Units 1 & 2 for a total capacity of 1,458 MW.

b. Kentucky Power's annual peak historically has occurred during the winter months.

c. Confirmed.

d. Confirmed.

e. The 2016/17 winter heating season (defined as November through March) is not complete. The 2016/17 winter peak through February 2017 is 1,214 MW. The 2016 summer peak was 1,044 MW.

f. For 2016, the Company had an installed capacity (ICAP) of 1,458 MW, unforced capacity (UCAP) of 1,295 MW, and a load obligation of 1,191 MW, resulting in a net capacity position of 104 MW (1,295 - 1,191 = 104). Please note that the current PJM required Installed Reserve Margin (IRM) is 16.6%.

Witness: John A. Rogness

Q - 2 Explain whether Kentucky Power 's overall customer base and load have been declining over the past few years.

A - 2 From 2012 to 2016, Kentucky Power's customer base decreased from 172,355 customers to 168,497, or a decrease of 2.24%. Residential customers decreased by 2.78% from 140,929 to 137,013 during that period; Industrial customers decreased by 12.87% from 1,367 to 1,191 during the same period; and Commercial customers increased 0.78% from 30,059 to 30,293 between 2012 and 2016.

Although the total number of customers declined between 2012 and 2016, the Company's kWh sales increased 2.6% from 6,509,765,373 kWh in 2012 to 6,677,659,897 kWh in 2014. Beginning in 2015, the Company's kWh sales declined 13.3% to 5,792,272,954 kWh in 2016. Total annual Residential kWh sales decreased 11.2% from 2,363,375,653 kWh in 2014 to 2,098,311,890 kWh in 2016. Commercial customer sales declined 4.6% from 1,365,360,472 kWh in 2014 to 1,301,931,674 kWh in 2016; Industrial customer sales declined 18.9% from 2,948,923,772 kWh in 2014 to 2,392,029,390 kWh in 2016.

Total metered demand showed a steady decline from 8,507,910 kW in 2012 to 6,412,007 kW in 2016. The Industrial customers' metered demand declined from 6,590,345 kW in 2012 to 4,549,643 kW in 2016. Commercial customer metered demand increased from 1,917,564 kW in 2012 to 1,924,171 kW in 2014 and declined to 1,871,364 kW in 2016.

Q - 3

a. Confirm that Kentucky Power is obligated to spend $6.0 million per year in DSM program spending through 2018, and beyond.

b. If it is confirmed that Kentucky Power's customer base and load have declined, explain whether DSM program spending should continue at the current level, considering the current economic conditions in its service territory and the number of various surcharge riders on its customers' monthly bills. Explain what also should be considered if there are programs in its DSM portfolio that the Commission or Kentucky Power determine are not cost effective.

A - 3

a. Confirmed in part. The Commission's October 7, 2013 Order in Case No. 2012-00578 approved the July 2, 2013 Stipulation and Settlement Agreement among Kentucky Power, Sierra Club, and Kentucky Industrial Utility Customers, Inc. Under the agreement Kentucky Power was required to increase its spending from approximately $3 million to $4 million in 2014, to $5 million in 2015, and to $6 million in 2016. The agreement also required Kentucky Power to maintain its spending on cost-effective DSM programs at the $6 million level in 2017, and 2018. In approving the settlement agreement, the Commission ordered Kentucky Power to seek Commission approval before reducing its DSM spending after 2018 below $6 million annually.

b. Notwithstanding the declines in the Company's customer base and the economy of the Company's service territory, Kentucky Power is obligated to follow the Commission's order in Case No. 2012-00578 approving the July 2, 2013 Stipulation and Settlement Agreement. In support of that agreement, Kentucky Power offers that it is reasonable to maintain the $6 million annual expenditure level because the current DSM programs are cost effective, which is the primary consideration used by the Commission in approving individual DSM programs. However, the amount that should be spent going forward is the level approved by the Commission.

Concerning the question of cost effectiveness, absent approval of the Company's DSM programs on a portfolio basis, individual programs determined not to be cost-effective by the Commission or the Company should be discontinued unless they can be modified to make them cost effective.

Please also refer to the Company's response to KPSC 1-6 for additional detailed information.

Witness: John A. Rogness

Q - 4 Even though Kentucky Power currently offers no industrial DSM programs, and many of its industrial customers have their own in-house energy conservation and energy-efficiency ("EE") initiatives, state whether Kentucky Power has received any inquiries as to available grants, subsidies or low-interest loans for energy conservation or EE that may help those customers remain economically stable or market completive.

A - 4 Kentucky Power received no inquiries as to available grants, subsidies or low-interest loans for energy conservation from any industrial customer. The Company received limited inquiries from industrial customers seeking general information on company sponsored energy efficiency programs.

Q - 5 a. For current DSM programs provide:

(1) The annual cost per program for the past three years; and

(2) The projected annual costs for the next two years.

b. For each of Kentucky Power's current DSM program offerings, provide the results of the Total Resource Cost cost-benefit analysis along with the supporting calculations.

A - 5

a. Please refer to KPCO_R_KPSC_1_5_Attachment1.xls. The 2017 forecasted expenditures are from the 2017 budget filed by Kentucky Power in Case No. 2016-00281. The 2017 updated budget for the final six months of the year will be filed in August 2017 along with the Company's 2017 status report.

The 2018 budget currently is being prepared. In accordance with the Commission's order in Case No. 2012-00367, Kentucky Power anticipates filing its 2018 budget in August 2017 following the budget's review by the Company's DSM Collaborative.

b. Please refer to KPCO_R_KPSC_1_5_Attachment2.xls for the requested information. The Total Resource Cost for each program may be found on the Program Summary Tab, beginning at Column DK for each program.

The program expenditure levels shown for the years 2018 and later were developed by the Company's consultant, Applied Energy Group, for purposes of preparing the evaluation and do not represent a forecast by Kentucky Power of the amounts to be expended. The TRC values shown in KPCO_R_KPSC_1_5_Attachment2.xls were filed with the Commission in Case No. 2015-00271.

Q - 6 Identify what Kentucky Power believes to be an appropriate level of annual funds to spend on DSM programs.

A - 6 Please see the Company's response to KPSC 1-3(a) and KPSC 1-3(b).

If the Commission determines that the "changing circumstances" identified in its February 23, 2017 Order establishing this case require the modification of Kentucky Power's existing DSM portfolio, the Company will work with the Commission in doing so.

It is important to recognize that any modification of Kentucky Power's DSM programs may result in additional expenses as a result of the termination of existing vendor contracts implementing the currently approved programs. Changes can be made but they must incorporate a method to deal with these expenses.

It is also important to recognize that notwithstanding any prospective modifications to the Company's DSM programs in this proceeding, there exist unrecovered costs and other charges incurred in connection with the existing programs that the Company is entitled to recover. Any change should make clear that Kentucky Power is entitled to recover these previously unrecovered program expenditures and program costs, current costs unrecovered related to the current Commission-approved DSM portfolio, all unrecovered lost revenue, administrative costs and unrecovered incentives.

To the extent the Commission desires to review appropriate expenditure levels of current DSM/EE programs, KPCO_R_KPSC_1_6_Attachment1.xls lists each Commission-approved program in decreasing order of cost. Also listed for each program is its cost-effectiveness, as well as information regarding the Company's contractual obligations with respect to current programs. Certain programs may have "wind-down" periods after the termination of the program. For example, customers have a fixed period (usually 90 days) to submit paperwork for rebates associated with the programs. KPCO_R_KPSC_1_6_Attachment2.xls provides information on which

Commission approved programs require customer expenditures.

In addition, Kentucky Power proposes to file with the Commission an updated Schedule C by July 18, 2017 with rates to be effective July 28, 2017 (cycle 1 of the August billing cycle) on a bills rendered basis. Kentucky Power's current DSM surcharge factors provide for the recovery of previously incurred but unrecovered program costs. The current residential and commercial DSM factors provide for the recovery of incurred but unrecovered residential program and commercial program charges. As detailed in the Company's Schedule C filed in Case No. 2016-00281, the forecasted unrecovered DSM program charges used to calculate the current DSM factors totaled $6,818,082 for the residential programs and $2,239,445 for the commercial programs.

Kentucky Power anticipates that by the completion of the June 2017 billing cycle it will have recovered a majority of these previously unrecovered program costs and charges. By filing the updated Schedule C in July, with rates to be effective on a bills rendered basis on July 28, 2017, the DSM surcharge factors can be reduced to reflect immediately the anticipated reduction in the amount of the previously incurred but unrecovered program charges. Kentucky Power also proposes to make in 2017 its regular August DSM filing. That filing will include program evaluations of the Company's current DSM programs. The Company will file impact evaluations of the current program in August 2018. Together, both evaluations will provide updated cost-effectiveness calculations for the Commission to assess the appropriate expenditure level going forward.

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Q - 7 Referring to the answer to Request No. 6, assuming those levels of spending, identify the DSM programs that Kentucky Power would offer at that level of expense.

A - 7 Please refer to the Company's response to KPSC 1-6.

Q - 8 Explain whether Kentucky Power has considered a prepay meter program, and if so, whether there are any barriers to implementing such a program.

A - 8 Kentucky Power previously considered a prepay meter program. A prepay meter program requires an advanced metering infrastructure to provide customers with real-time access to their energy usage and costs. The current meter reading system does not support a pre-pay meter program.