

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

Electronic Application Of Kentucky Power)
Company For (1) Approval Of Its Revised Terms)
And Conditions Of Service Implementing New Bill) Case No. 2017-00231
Formats; And (2) An Order Granting All Other)
Required Approvals And Relief)

DIRECT TESTIMONY OF

STEPHEN L. SHARP JR.

ON BEHALF OF KENTUCKY POWER COMPANY

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I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.**

2 A. My name is Stephen L. Sharp, Jr., and I am a Regulatory Consultant for Kentucky
3 Power Company (“Kentucky Power” or “Company”). My business address is 101
4 A Enterprise Drive, Frankfort, Kentucky 40601.

II. BACKGROUND

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
6 **BACKGROUND.**

7 A. I received a Bachelor of Arts degree in Integrated Strategic Communications from
8 the University of Kentucky in 2001. I accepted a position with American Electric
9 Power’s (“AEP”) Customer Service Department in Hurricane, West Virginia in
10 2002, and thereafter I held various positions. In 2014, I transferred from
11 Hurricane to my current position within Kentucky Power’s Regulatory Services.

12 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH**
13 **KENTUCKY POWER?**

14 A. My primary responsibility is to support the Company’s regulatory activities. I
15 assist in managing the Company’s tariffs and regulatory filings, including the
16 Demand Side Management filings and the monthly Fuel Adjustment Clause

1 reports, and support other members of Kentucky Power's Regulatory Services
2 Department.

III. PURPOSE OF TESTIMONY

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

5 A. The purpose of my testimony is to describe (1) why the Company is proposing to
6 change its bill format and (2) the changes to the bill format itself.

7 **Q. ARE YOU INCLUDING EXHIBITS WITH YOUR TESTIMONY?**

8 A. Yes. I am including the following exhibits:

- 9 • **EXHIBIT SLS-1** – Excerpts from the 2014 J.D. Power and Associates
10 Electric Utility Residential Customer Satisfaction Survey
- 11 • **EXHIBIT SLS-2** – Examples of redesigned bill correspondence

IV. NEW BILL FORMAT

12 **Q. WHY IS THE COMPANY PROPOSING TO CHANGE ITS BILL**
13 **FORMAT?**

14 A. Our customers asked us to do so. Through a J.D. Power and Associates Electric
15 Utility Residential Customer Satisfaction Survey ("J.D. Power Survey"), the
16 Company discovered that customer satisfaction regarding billing correspondence
17 was below the industry average. Kentucky Power scored 6.9 (out of 10) in the
18 overall billing and payment experience component of the customer satisfaction
19 survey. This compares to Midwest Region, Midsize Segment average of 7.37. A
20 copy of the Company's scores on the customer satisfaction survey, including
21 those for billing and payment experience, are included as **EXHIBIT SLS-1**.

1 Additionally, as part of Kentucky Power’s outreach initiatives the
2 Company hosted a series of Community Advisory Panels and other customer
3 outreach workshops to discuss issues with members of the communities the
4 Company serves. During these meetings, customers repeatedly expressed
5 frustration with the bill format.

6 **Q. WHAT SPECIFICALLY WERE CUSTOMERS FRUSTRATED WITH**
7 **ABOUT THE BILLS?**

8 A. The single most frequent complaint about the bill format was the number of line
9 items appearing on the bill. Many of the customers the Company spoke with
10 simply wanted to know the total amount owed and when the payment was due.
11 These customers indicated that providing line-item detail tended to obscure the
12 information that customers were most interested in.

13 **Q. HOW IS THE COMPANY PROPOSING TO CHANGE ITS BILL**
14 **FORMAT TO ADDRESS THESE CONCERNS?**

15 A. The Company is proposing two separate changes to its billing form. First, the
16 Company is proposing to redesign the style of its bill correspondence to provide
17 the information the customers most want and use in an easily understood fashion.
18 Second, the Company is proposing to reduce the number of billing line items
19 shown on the bill.

20 **Q. HOW DID THE COMPANY ACCOMPLISH THE BILL REDESIGN?**

21 A. The Company’s customer outreach efforts were part of a larger AEP-wide effort
22 by the AEP operating companies to improve all aspects of the service they
23 provide their customers in response to issues raised in the J.D. Power Survey. As

1 part of this initiative, the Company sought feedback from customers on the
2 content of the bill, ease of finding key elements (i.e., amount due, kWh used), and
3 how the Company's bill correspondence compared to other utility bills (electric,
4 water, gas). Based on the information obtained through the customer feedback
5 opportunities and input from Kentucky Power employees, many of whom are also
6 customers, Kentucky Power redesigned its billing correspondence to:

- 7 • Promote and enhance readability of the information displayed in the
8 bill.
- 9 • Give the bill a clean and understandable appearance.
- 10 • Make it easier for customers to identify the information most
11 important to them.

12 Examples of the redesigned bill format for different customer classes are shown in
13 **EXHIBIT SLS-2**. The new format is less cluttered and the use of color makes
14 identifying important information even easier. In addition, the total amount due,
15 which customers indicated was the most important information on the bill, is
16 displayed in large font making it most visible. Another important improvement is
17 the addition of the "donut" graphic which shows visually the relative
18 contributions of the various components of the customer's total charge.

19 **Q. PLEASE DESCRIBE KENTUCKY POWER'S PROPOSAL TO COMBINE**
20 **BILLING LINE ITEMS.**

21 A. Kentucky Power's current residential bill includes up to 15 separate line item
22 charges:

Current KPCo Charges:**Tariff 015 - Residential Service MM/DD/YY**

Rate Billing	\$	XXX.XX
Fuel Adj @ 0.XXXXXXX Per KWH		XX.XX
DSM Adj @0.XXXXXXX Per KWH		X.XX
Residential HEAP @ \$0.15		0.15
Kentucky Economic Development Surcharge @ \$0.15		0.15
Capacity Charge @ 0.XXXXXXX Per KWH		X.XX
Big Sandy 1 Operation Rider @ 0.XXXXXX Per KWH		XX.XX
Environmental Adj X.XXXXXXX%		XX.XX
Big Sandy Retirement Rider @ X.XXXXXXX%		XX.XX
Purchased Power Adjustment @ 0.XXXXXXX Per KWH		XX.XX
Green Pricing XXX Blocks		XX.XX
School Tax		XX.XX
Franchise Tax		XX.XX
State Sales Tax		<u>XX.XX</u>

1 (The fifteenth billing line item is the optional Homeserve Warranty Service.)
2 Although surcharges and riders benefit the customer and Company alike by
3 ensuring customers pay no more or less than owed, many customers indicated that
4 they do not want or need the level of detail provided by listing each such charge
5 individually. In response to customer concerns regarding the number of line
6 items included in Kentucky Power's bill correspondence, the Company is
7 proposing to combine all riders and surcharges, except for the Fuel Adjustment
8 Clause, Environmental Surcharge, and Demand-Side Management Surcharge, into
9 the "Rate Billing" line. The bill also would continue to show applicable state and
10 local taxes and any applicable franchise fees as individual line items. The
11 proposed format is below:

Current KPCO Charges	
Tariff 015 - Residential Service MM/DD/YY	
Rate Billing	\$ XXX.XX
Fuel Adj @ X.XXXXXX Per kWh	XX.XX
DSM Adj @ X.XXXXXX Per kWh	XX.XX
Environmental Surcharge X.XXXXXX%	XX.XX
School Tax	XX.XX
Franchise Fee	XX.XX
State Sales Tax	XX.XX
Current Balance Due	\$ XXX.XX

1 The proposed format reduces the number of line items shown on the bill from up
2 to fifteen to up to eight. In doing so, the Company is addressing customers'
3 request for a simpler billing format.

4 **Q. IS THE DETAILED BILLING INFORMATION READILY AVAILABLE?**

5 A. Yes. Customers can use a bill calculation spreadsheet available on the
6 Company's website (www.kentuckypower.com) to receive the more detailed
7 billing information currently being provided. This resource will remain following
8 the bill format change. In addition, a customer can contact the Company's
9 Customer Operations Center at 1-800-572-1113 and a Customer Operations
10 Associate will walk the customer through each line item. If a customer requires
11 further explanation, the Company will send a local Customer Service
12 Representative to the customer's home to assist the customer.

13 **Q. WILL THE COMPANY OFFER ANY OUTREACH TO CUSTOMERS IF**
14 **THE COMMISSION APPROVES THESE CHANGES?**

15 A. Yes. The Company will discuss the bill changes with customers as a continuation
16 of the currently ongoing community outreach workshops led by employees

1 throughout the Company's service territory. The Company will also describe the
2 changes on its website.

3 **Q. WHEN DOES THE COMPANY PROPOSE TO BEGIN USING THE NEW**
4 **BILL FORMAT?**

5 A. Because bills are prepared and printed centrally for all AEP operating companies,
6 changing the formats at the same time for all operating companies results in
7 efficiencies and minimizes the risk for logistical problems with the roll-out. The
8 AEP-wide change is scheduled for December 2017. To ensure there is sufficient
9 time to implement the new billing format for Kentucky Power prior to the
10 scheduled December 2017 debut, the Company requests an order approving the
11 changes to the Company's bill format on or before September 15, 2017.

12 **Q. WHY DOES THE COMPANY NEED A DECISION TWO AND A HALF**
13 **MONTHS PRIOR TO THE NEW BILL REDESIGN GOING INTO**
14 **EFFECT?**

15 A. The process to change from Kentucky Power's current bill format to the new bill
16 format will take 8-10 weeks to complete. Changing the bill format requires that
17 the Company make programming changes to current software and install new
18 printers. In addition, testing is required to troubleshoot and correct any issues
19 relating to the new bill format. If the changes cannot be implemented
20 concurrently with the changes by other AEP operating companies, the 8-10 week
21 implementation process for Kentucky Power cannot begin until after the changes
22 for the other operating companies are complete in December 2017.

23

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes.