

Kentucky Power Company
KPSC Case No. 2018-00311
Commission Staff's Supplemental Request For Information
Dated October 8, 2018

DATA REQUEST

KPSC S-01 Refer to the Application, paragraphs 12 and 13. Explain how each community action agency verifies the final eligibility and waitlist ranking.

RESPONSE

For the HEART Program, a community action agency caseworker interviews a client to determine the client's needs and if the client meets the LIHEAP eligibility requirements. During the interview, the caseworker will collect demographic information about the household, documents providing proof of identity (such as through a government issued ID), documents that identify the heating source used by the client (such as a utility bill) and proof of income eligibility (such as a social security award letter, wage documentation, or other income documentation.)

If the LIHEAP eligibility requirements are satisfied, the LIHEAP application is processed and approved. Depending on the client's need and eligibility, and funding availability, the client may be enrolled in other programs including HEART.

To enroll in HEART the client's data are entered in a separate HEART application. From this point forward all of the functions are carried out electronically.

All HEART applications are placed into a "pool". All applications for HEART in the pool are transmitted electronically using a secure method to Kentucky Power. Kentucky Power electronically performs a "lookup" of each applicant and returns a history file to CAK. The history file contains a 12-month usage history of every applicant. Using the 12-month history and data from the client's application, applications are ranked using the weatherization program criteria developed by the Kentucky Housing Corporation. Please refer to KPCO_SR_KPSC_S_1_Attachment1.pdf for a copy of the application and ranking system.

The system then evaluates the number of slots for each county. If there are 40 applicants for a county, and 10 slots, the 10 applications with the highest point rankings are transmitted back to Kentucky Power. Kentucky Power assigns the ten clients to the available HEART slots. The 30 remaining applications will remain in the pool until September 30 when the pool is emptied and readied for the next program year.

Applications received subsequent to the initial application period (November and December of each year) the applicants are similarly evaluated, ranked, and added to the pool.

Witness: Matthew A. Horeled

Application for Vendor Program



DESCRIPTION

ISSUED BY:

KACA_TEST01

502-875-5863

ISSUING OFFICE

KACA

101 OFFICE1 BURCH

FRANKFORT, KY 40601

502-875-5863

Request Number: 127715064

Application Date: 10/17/2014

Application Status: HISTORY REQUEST

App processed by:

Community Action Kentucky 1-800-456-3452

CFC OMBUDSMAN 1-800-372-2973

Applicant: _____ Age: _____

SSN #: _____

Telephone: _____

Household Member	Relationship	SSN or P. Res Card	Date of Birth	Education Level
Monthly Income	IncomeType	IncomeVerification		

Household Points: _____

Total Household Monthly Income: _____

Household Size: _____

Household Composition:

Housing Type: _____

Age 60+

Age 2 or Under

Age 3 or 5

You Must Keep This Copy

Liquid Resources: _____

Primary Source of Income: _____

22. I certify that the information on this application is correct and that I have been notified of my appeal rights. I understand that the receipt of assistance from this program through misrepresentation is punishable by fine or imprisonment. I give permission to allow the agency or its funding source to verify the provided information with the source of my income or my heat provider as needed. I also give permission for the agency or its funding source to provide information as required to the heat source. I agree to accept weatherization services as available to reduce my home heating cost.

Applicant Signature

Date

Vendor: Kentucky Power

Account: _____

Account Name: _____

Worker Signature

Date

The HEART (formerly HEAP) program uses the same points calculations at the KHC weatherization program. Points are calculated as follows:

Occupant points:

- For each occupant Disabled &/or Elderly = 10 points
- For each child under 6 = 5 points
- Each occupant = 1 point
- If the household consists of a single elderly / disabled person, then they receive an additional 10 points.

Income Points: (Percentage of poverty)

- 100%-150% = 1 point
- 75%-99% = 2 points
- <75% = 3 points

Primary Fuel Type points:

- Electric = 8 points
- Propane = 6 points
- Oil = 4 points
- Natural Gas = 3 points
- Coal = 2 points
- Wood = 4 points

*If the household contains only Elderly and / or Disabled individuals add (an additional) 4 points for heating with wood and 6 points for heating with coal.

Fuel Cost Points:

$$\{\text{Total KYPOWER Energy Cost for 12 months}\} / \{\text{Annual Income}\} = \text{Burden\%}$$

Burden:

- 0-5% = 2 points
- 6-14% = 4 points
- 15-21% = 6 points
- 22-28% = 8 points
- 29-33% = 10 points
- >34% = 15 points
- Zero income = 15 points

All the points are totaled to determine the Total Priority Points.

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KPSC S-02 Refer to the Application, paragraph 17. Explain how a participant fails to meet the eligibility requirement once eligible and how it is verified.

RESPONSE

As with many benefit programs, a participant must continue to meet eligibility requirements during the period benefits are credited. These requirements include:

- (a) The requirement the participant be a Kentucky Power customer with residential service in his or her name;
- (b) The requirement that the participant not reside in a multi-unit single meter building;
- (c) The requirement that the participant provide the Company with any required access for meter readings.

A customer whose service is disconnected for failure to meet the customer's payment obligations once the customer is enrolled also would lose eligibility. There is a five working-day grace period after disconnection for failure to pay where the customer may restore eligibility by paying the past due amount and all other required charges.

Continuing eligibility is verified through information available to Kentucky Power.

Witness: Matthew A. Horeled

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DATA REQUEST

KPSC S-03 Refer to the Application, paragraph 32, regarding the seven percent administrative fee charged by CAK. Explain how this administrative fee complies with the provisions of KRS 278.287(15), which set forth an administrative fee of three percent for providers of voluntary energy cost assistance funds.

RESPONSE

CAK will recover only its “actual reasonable costs of providing services applicable to the HEART programs” up to a ceiling of seven percent. Application at ¶ 32. The seven percent is not a “flat” fee.

KRS 278.287(15) provides that a provider may be reimbursed for its costs in administering the program up to an amount equal to three percent of the donated amounts. The statute further provides that the Commission “shall allow” the recovery of additional costs in administering the program. The proposed seven percent cap approximates CAK’s anticipated reasonable costs. Based upon CAK’s past operational experiences, its reasonable costs to administer the program have totaled approximately 7.84 percent of available program funds.

Witness: Matthew A. Horeled

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DATA REQUEST

- KPSC S-04 Refer to the Application, Exhibit 2, page 4 of 21 , Section III, Paragraph D.
- a. Provide the cost percentage for the prior agreement between Kentucky Power and CAK regarding the home energy assistance programs.
 - b. Provide the number of times in the past five years the costs billed by CAK to Kentucky Power exceeded 10 percent.
 - c. Provide an example bill.
 - d. Explain how the costs involved in managing the HEART program will be minimized in order to maximize benefits to participants
 - e. Explain how the costs involved in managing the THAW program will be minimized in order to maximize benefits to participants.

RESPONSE

- a. The current agreement also provides that CAK will provide the Company with a written explanation of budget variances of ten percent or more.
- b. Kentucky Power and CAK have used the initial budget previously submitted to the Commission. Billed expenses have never exceeded the budgeted amount by ten percent or more.
- c. See Attachment KPCO_SR_KPSC_2_4_Attachment1.pdf for the requested information.
- d. – e. CAK implemented software systems that permits it to reduce and limit the labor required for client data intake, eligibility determinations, and enrollment. The software is applicable to both HEART and THAW.

Further, the assignment of points to HEART applicants for the purpose of ranking applicants, and communication of data between Kentucky Power and CAK is fully automated. In addition, these systems assist in reducing fraud and error and thereby further reduce costs.

Finally, costs also are indirectly limited through both the contractual “cap” on the amount of reimbursable costs and the requirement that CAK document its submitted expenses.

Witness: Matthew A. Horeled

KENTUCKY POWER HOME ENERGY
Assistance Program Invoice
Administration Fee
Invoice 3

Period 6/1/18-9/30/18

<u>Category</u>	<u>Current Invoice</u>	<u>YTD</u>	<u>Budget</u>	<u>%over/under</u>
CAK	2,000	10,000	10,000	100%
Contracts	10,918	54,408	54,692	99%
Total	<u>12,918</u>	<u>64,408</u>	<u>64,692</u>	

Submitted by: Susan L Young
CAK

Date: 10/2/18

Due upon receipt

Payable to: Community Action Kentucky, Inc.
101 Burch Court
Frankfort, KY 40601

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DATA REQUEST

- KPSC S-05 Refer to the Application, Exhibit 2, page 9 of 21 , Section VI.
- a. Refer to Paragraph B. Explain how CAK confirms the participant meets the eligibility requirements.
 - b. Refer to Paragraph C. Explain how CAK confirms the participant meets the eligibility requirements.

RESPONSE

a & b. Please see the Company's response to KPSC S-01.

Kentucky Power will consult its records to confirm that THAW participants have not received HEART benefits within the current program year.

Witness: Matthew A. Horeled

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DATA REQUEST

KPSC S-06 Refer to the Application, Exhibit 2, page 12 of 21 , Section VI , Paragraph F, Subsection iv. Explain whether the \$25.00 CAK pays each community action agency for each slot is in addition to the 10 percent cost cap or included in the cost cap.

RESPONSE

The \$25 paid by CAK to each community action agency for each slot is included in the seven percent cost cap.

Witness: Matthew A. Horeled

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DATA REQUEST

- KPSC S-07 Refer to the Application, Exhibit 2, page 13-15 of 21, Section VII.
- a. Refer to Paragraph B. Explain how CAK confirms the participant meets the eligibility requirements.
- b. Refer to Paragraph E, subsection iv. Explain whether the \$16.00 CAK pays each community action agency for each slot is in addition to the 10 percent cost cap or is included in the cost cap.

RESPONSE

- a. Please refer to response for KPSC S-01.
- b. The \$16 paid by CAK to each community action agency for each slot is included in the ten percent cost cap.

Witness: Matthew A. Horeled

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DATA REQUEST

KPSC S-08 Refer to the Horeled Testimony, pages 4, line 23 and continuing onto page 5, lines 1- 2.

- a. For the selection process, explain whether the local community action agency accepts applications and fills the slots on a first come first serve basis if the criteria is met, or does the local community action agency accept all applications during a window of time and access all at once to allocate the slots based on a ranking of need?

- b. If the above answer is based on ranking, describe the ranking criteria.

RESPONSE

- a. HEART applications are not accepted on a first-come, first served basis. Local community action agencies receive applications in November and December of each year. Appointments are determined by a customer's last name. At the end of the application process, the local community action agencies allocate the slots available based on their assessment and ranking of customer need.

- b. Please refer to the response to KPSC S-01 for the requested information regarding the manner in which HEART applicants are ranked. Funds will be disbursed to eligible THAW applicants in the order they are received. Criteria for determining the amount of THAW benefits are being developed.

Witness: Matthew A. Horeled

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DATA REQUEST

KPSC S-09

Refer to the Horeled Testimony, page 7, lines 4-5.

- a. Provide how the failure of eligibility for the program is confirmed and verified.
- b. Provide the number of slots that have become available after the initial selections of home energy assistance recipients by year for the past five years.

RESPONSE

- a. Continuing eligibility is verified through information available to Kentucky Power.
- b. The requested information is not maintained by either Kentucky Power or CAK and the information cannot be developed through either entity's records.

Witness: Matthew A. Horeled

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DATA REQUEST

KPSC S-10 Refer to the Horeled Testimony, page 12, lines 8-10. Explain in detail how the Average Monthly Payment Plan will help participants transition off the HEART program.

RESPONSE

Multiple reasons may result in customers experiencing difficulty in paying their bills or meeting their payment arrangement amounts and thus requiring assistance through HEART. Among the more frequent causes are significant variances in the amount due because of weather-related and other variances in usage. As shown on page 10 of Company Witness Horeled's testimony, January usage during the period illustrated was 221 percent greater for electric heating customers and 164 percent greater for non-electric heating customers as compared to October. The difference between October and December usage (the second highest usage month) was 215 percent and 150 percent respectively for electric-heating and non-electric heating customers.

The resulting significantly higher bills for the higher winter heating months can be beyond the means of customers to pay, thereby causing customers to fall into arrears. By levelizing these winter months bills the amounts can become more affordable without assistance. In addition, AMP can make summer cooling month bills, which are lower than winter heating month bills but higher than average, more affordable without assistance. Finally, the levelized bill amounts produced by participation in AMP can make it easier for customers to anticipate and thereby manage their electric bills.

Witness: Matthew A. Horeled

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DATA REQUEST

KPSC S-11 Refer to the Horeled Testimony, page 13, lines 18- 19. Show calculations that explain how the maximum benefit per winter heating season of \$175.00 per eligible customer was determined.

RESPONSE

No such calculation exists. Based on input from company employees, CAK, and local leaders, and an effort to provide a reasonable benefit to the greatest number of customers, the Company's selected a maximum benefit amount of \$175.00.

Witness: Matthew A. Horeled

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DATA REQUEST

KPSC S-12 Refer to Horeled Testimony, page 14, lines 11 - 13. Provide the proof of hardship criteria that CAK and the local community action agencies have developed.

RESPONSE

CAK indicates to Kentucky Power that it will develop the criteria when the THAW program is approved and the approved contract with Kentucky Power is executed.

Witness: Matthew A. Horeled

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DATA REQUEST

KPSC S-13 Provide all marketing material related to the HEART and THAW programs.

RESPONSE

The Heart and Thaw program introduced and developed through conversations with legislators, community action agencies, Kentucky Power's three Community Advisory Panels, and internally with employees. Although no formal marketing has been executed to date, a flyer was produced to help explain the program to these groups and to be able to gain input. HEART and THAW also was publicized in a news release that was issued earlier this year. Please see KPCO_SR_KPSC_S_13_Attachment1.pdf.

Kentucky Power is in the process of preparing a print advertisement that will be incorporated in its fall/winter customer education advertising campaign. Other publicity will include a news release announcing the program following approval through traditional and social media, inclusion in the new Kentucky Power customer handbook that will be placed at all of the community action agencies, county judge executive offices and given to customers at outreach events, an email blast to customers. Kentucky Power also is considering a postcard mailing to a identified customers who might benefit.

Witness: Matthew A. Horeled

MEDIA CONTACT:

Allison Barker, Corporate Communications
Cell: 502-545-7003; Office: 606-327-2602; adbarker@aep.com

FOR IMMEDIATE RELEASE

KENTUCKY POWER AND COMMUNITY ACTION TO HELP MORE CUSTOMERS IN NEED

ASHLAND, Ky., September 25, 2018 – Kentucky Power and Community Action of Kentucky have filed a joint application with the Kentucky Public Service Commission to modify and expand an energy assistance program to aid more low-income families this winter.

In the application filed Friday, Kentucky Power and Community Action asked the PSC to change the Home Energy Assistance Program (HEAP) from a summer and winter program to a winter-only program. The Kentucky Power-funded program has been offered since 2006. The change concentrates financial assistance in the months of January to April when people use more electricity because of cold weather. Increased winter usage also causes higher bills.

If approved, qualifying residential customers with electric heat could receive \$115 each of the four designated months under the modifications. Customers with non-electric heat would qualify for \$58 a month for four months. In past years, electric customers qualified for \$65 a month and non-electric customers qualified for \$33 in the winter. Small awards were made in summer to assist with cooling costs. Summer assistance would be discontinued under the plan.

Kentucky Power also proposed renaming the program to the Home Energy Assistance in Reduced Temperatures (HEART) program to eliminate confusion with the federal Low Income Home Energy Assistance Program called LIHEAP. While separate, both assistance programs are administered through Community Action and its local agencies.

“Kentucky Power wholeheartedly believes in assisting low- and fixed-income customers to manage their energy usage and we will not waiver from this commitment,” said Matt Satterwhite, Kentucky Power president and chief operating officer. “By focusing the funds on the winter months, we can provide more customers with greater assistance when they most need it.”

In addition to the HEART program, Kentucky Power has proposed adding a new limited assistance program called Temporary Heating Assistance in Winter (THAW). This program would provide qualifying residential customers with a once-a-year grant of up to \$175. THAW is designed to assist customers, such as single parents, seniors on fixed incomes, the recently unemployed, or other customers who need temporary assistance to get through the winter months. The program also would be administered by Community Action on a first come, first served basis until designated funds are depleted.

Both HEART and THAW are funded with customer and company contributions. Customers pay 30 cents a month into the program. Kentucky Power matches those funds dollar for dollar with shareholder money. Together, the contributions generate about \$1 million a year to provide heating assistance to about 2,500 customers in eastern Kentucky. Money is divided among customers who heat with electric and non-electric sources, including wood and coal.

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Kentucky Power
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Kentucky Power also asked the PSC for permission to create a voluntary assistance fund. Under the Donation HEART Program, customers could make special contributions that also would assist neighbors in need. The company would match customer contributions up to \$20,000 a year. Kentucky Power and Community Action asked the Commission to make a decision on the filing by Oct. 31. Community Action begins taking applications for home energy assistance on Nov. 1.

Customers seeking heating assistance should contact their local community action agency. Community Action of Kentucky agencies are:

- **Big Sandy Area Community Action Program.** Counties: Floyd, Johnson, Magoffin, Martin and Pike. <http://bsacap.org>. 606-789-3641.
- **Gateway Community Action Agency.** Counties: Bath, Menifee, Morgan, Montgomery and Rowan. <http://gatewaycaa.org>. 606-743-3133.
- **LKLP Community Action Council.** Counties: Knott, Leslie, Letcher and Perry. <http://www.lklp.org>. 606-436-8853.
- **Middle Kentucky Community Action Partnership.** Counties: Breathitt, Lee, Owsley and Wolfe. <http://www.mkcap.org>. 606-666-2452.
- **Northeast Kentucky Community Action Agency.** Counties: Boyd, Carter, Elliott, Lawrence and Greenup. <http://nkcaa.net>. 606-286-4443.

Kentucky Power customers who receive assistance will be enrolled in the budget billing option called Average Monthly Payment (AMP). AMP is 12-month average bill to even out bill spikes. The average residential Kentucky Power customer uses about 1,300 kWh a month with an average bill of about \$168 a month, or about \$5.40 a day.

“Overall, our residential rates have stabilized and bills are down for the average customer,” Satterwhite said. “However, there are customers who need help and both HEART and THAW will assist many families. The most important thing customers who are experiencing difficulties can do is contact us or their local Community Action Agency. We make every effort to assist all customers.”

Kentucky Power, with headquarters in Ashland, provides electric service to about 168,000 customers in 20 eastern Kentucky counties, including Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan, Owsley, Perry, Pike and Rowan. Kentucky Power is an operating company in the American Electric Power system, one of the largest electric utilities in the U.S., delivering electricity and custom energy solutions to 5.4 million regulated customers in 11 states.

###

KENTUCKY POWER'S **HEART** AND **THAW** PROGRAMS TO ASSIST CUSTOMERS IN NEED

The Kentucky Home Energy Assistance Program (HEAP) has changed to the **Home Energy Assistance in Reduced Temperatures (HEART)** program to differentiate our program from the federal heating assistance program.

WHAT IS HEART?

HEART will provide qualifying Kentucky Power residential customers who have electric heat with \$115 of assistance during winter months. Qualifying customers with non-electric heat will receive \$58.

The program will continue to be administered by Community Action Kentucky and its local community action agencies. The action agencies follow specific guidelines to determine who qualifies for heating assistance.

Kentucky Power customers who receive **HEART** assistance will be enrolled in the Average Monthly Payment (AMP) plan. Unlike a traditional budget plan, AMP does not have a settle-up month. Instead, any balance after 12 months is then spread out over the next 12 months and added to the customer's monthly bill. The AMP plan is calculated based on a customer's 12-month average bill amount. This plan recalculates each month. Bills usually fluctuate less than \$20 a month.

Kentucky Power understands that high electric bills can cause financial strains on customers. If customers who do not qualify for the assistance programs are struggling to pay their bill, Kentucky Power offers payment arrangements to help.

Kentucky Power also plans to provide an opportunity for customers to donate additional funds through their bill to help those in need of assistance. Kentucky Power will match customer donations up to \$20,000 a year.

Kentucky Power also is adding the **Temporary Heating Assistance in Winter (THAW)** program.

WHAT IS THAW?

THAW will provide qualifying Kentucky Power residential customers with assistance payments up to \$175.

The program will be administered January through April on a first come, first served basis until designated funds are depleted.

The program will help customers who need a little bit of assistance to help them through the winter months.

WHO CAN QUALIFY FOR THAW?

- Customers with an active account in their name as the primary account holder.
- Customers not enrolled in **HEART**.
- Customer who have not had service disconnected for nonpayment.
- Customers who have no fraudulent activity on their account.



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DATA REQUEST

KPSC S-14 Explain whether the special customer contributions from the HEART program will be maintained in trust and kept separate from other customer assistance programs administered by Kentucky Power as required by KRS 278.287(1)(a)(3). Also, explain whether the HEART and THAW program funds will be kept in interest-bearing accounts.

RESPONSE

Voluntary customer contributions will be segregated from other customer assistance programs administered by Kentucky Power. Program funds are kept in non-interest-bearing accounts.

Witness: Matthew A. Horeled

