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July 13, 2009

RECEIVED

JUL 13 2009

PUBLIC SERVICE
COMMISSION

HAND DELIVERED

Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Mark R. Overstreet
(502) 209-1219
(502) 223-4387 FAX
moverstreet@stites.com

RE: P.S.C. Case No. 2009-00117

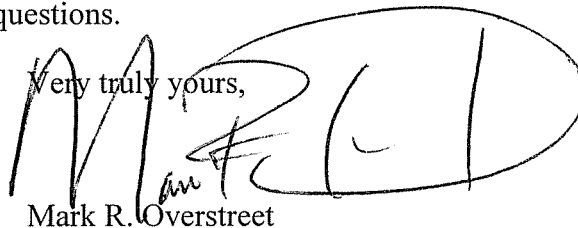
Dear Jeff:

Please accept the enclosed original and five copies of the Responses of Kentucky Power Company and Community Action Kentucky, Inc. to the Data Requests propounded by the Commission in its June 29, 2009 Order.

Mr. Bowmar is traveling and was unable to complete his verification prior to the filing of these Responses. He will do so upon his return and expects to file it the week of July 13, 2009.

A copy of the response is being served on the Attorney General with this letter. Please do not hesitate to contact me if you have any questions.

Very truly yours,



Mark R. Overstreet

cc: Dennis G. Howard, II
Joe F. Childers
Kip Bowmar

RECEIVED

JUL 13 2009

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

**TWO YEAR REVIEW OF KENTUCKY POWER)
COMPANY'S HOME ENERGY ASSISTANCE) CASE NO. 2009-00117
PROGRAM)**

KENTUCKY POWER COMPANY

RESPONSES TO COMMISSION STAFF SECOND SET OF DATA REQUESTS

July 13, 2009

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2009-00134
COUNTY OF FRANKLIN)

The undersigned, **Errol Wagner**, being duly sworn, states he is the Director of Regulatory Services for Kentucky Power Company, that he has personal knowledge of the matters set forth in the Data Responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Errol Wagner

ERROL K. WAGNER

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of July, 2009.

Judy K. Resquist (SEAL)

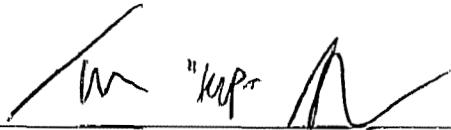
Notary Public

My Commission Expires:
January 23, 2013

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2009-00117
 COUNTY OF FRANKLIN)

The undersigned, Thomas "Kip" Bowmar, being duly sworn, states he is the Executive Director of Community Action Kentucky, that he has personal knowledge of the matters set forth in the Data Responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



 THOMAS "KIP" BOWMAR

Subscribed and sworn to before me, a Notary Public in and before said County and State, this _____ day of _____ 2009.

_____(SEAL)
 Notary Public

My Commission Expires:

Kentucky Power Company

REQUEST

Refer to the response to Item 1 of the First Data Request of Commission Staff (“Staffs First Request”), the revised Home Energy Assistance Program (“HEAP”) Evaluation Report (“HEAP Report”), pages 5 and 6.

- a. In both tables on these pages, all entries in the “Subsidies Distributed” column show negative amounts, evidently to represent the distribution of funds collected, with the exception of April 2007, which shows a positive \$1,530. Explain why April 2007 shows a positive amount, which would appear to indicate an inflow of cash.
- b. In both tables on these pages, all entries in the “CAK Administrative Costs” column show negative amounts, evidently to represent the distribution of funds to CAK, with the exception of September 2008, which shows a positive \$15,700. Explain why September 2008 shows a positive amount, which would appear to indicate an inflow of cash.

RESPONSE

- a. Included in the total subsidies credited to the customers’ bills in March 2007 were \$1,530 of subsidies provided in error due to the fact the customers did not qualify for the HEA Program. The \$1,530 in payments were reversed in April 2007. These subsequent adjustments totaling \$1,530 were reflected on the customer’s electric accounts in April 2007. Thus, the April 2007 credit amount reverses \$1,530 in March 2007 total subsidies.
- b. Kentucky Power received an invoice from Community Action Kentucky (CAK) in October 2007 requesting payment of administrative costs totaling \$15,700. Kentucky Power had previously paid CAK \$5,800 in administrative costs from the HEAP Fund. An additional \$9,900 payment was made to CAK for the total invoice amount (\$5,800 + \$9,900) in October 2007. In September 2008, Kentucky Power confirmed the \$15,700 in costs were associated with the CAK’s programming costs. The Commission in its Order dated December 14, 2006 on page 3 authorized KPCo to recover the CAK’s HEAP programming costs through the DSM surcharge. The \$15,700 costs were removed from the HEAP funds since they were recovered through the DSM surcharge. By removing the \$15,700 costs from the HEAP funds resulted in increasing the monies available to be distributed under the HEAP program.

WITNESS: Errol K. Wagner/Thomas “Kip” Bowmar

Kentucky Power Company

REQUEST

Refer to the first full paragraph on page 16 of the revised HEAP Report filed in response to Item 1 of Staff's First Request. Clarify whether the June 2007 report attributed to RLW Analytics, Inc. titled "Target Energy Efficiency Program 2006-2007 Load Impact Evaluation Report" is an earlier version of the report of the same title, identified as "Final Report" and dated June 27, 2008, which was filed by Kentucky Power in Case No. 2008-00350.'

RESPONSE

Yes, the "Targeted Energy Efficiency Program Load Impact Evaluation Report" referenced in the revised HEAP report was the "Final Report" dated June 27, 2008, which was filed with the Commission in Case No. 2008-00350.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Refer to page 2 of 2 of the response to Item 2.a. of Staffs First Request regarding the costs incurred by CAK to administer the HEAP. With the cessation of the 100 percent match provided by Kentucky Power during the program's first two years, the amount allowable for annual administrative costs is reduced by one-half. Identify and describe the administrative functions eliminated or reduced due to this reduction.

RESPONSE

The largest administrative cost is the enrollment fee paid by CAK to the local Community Action Agencies. Agencies are paid a \$25 fee for enrolling a new client in the program and \$15 for completing a re-enrollment (which involves updating income information on annual basis and ensuring that the client is still eligible to participate in the program.) Because the fee is paid on a per approved application basis, the reduction in program funds and hence participants should result in a commensurate reduction in the enrollment/re-enrollment fee expense. Additionally there were substantial one-time costs incurred in the first two years in establishing the information technology, creating reports and data exchanges between CAK, Kentucky Power, and the agencies. Since their establishment and initial operation, these efforts require less staff time and expense.

WITNESS: Thomas "Kip" Bowmar

Kentucky Power Company

REQUEST

Refer to the response to Item 3.b. of Staffs First Request.

- a. Provide the amounts contributed by Kentucky Power in each of the past three calendar years to each of the organizations identified in the response.
- b. Provide the calculations of the equity returns shown for Kentucky Power for each of the past three calendar years and indicate whether the equity balance used in the calculation was year-end or an average for the year.
- c. Show the calculations of the equity returns Kentucky Power would have realized for each of the past three calendar years if it had provided no match to the HEAP and made no contributions to the organizations identified in the response.

RESPONSE

- a & c. Please see page 2 of this response.
- b. Please see page 3 of this response.

WITNESS: Errol K Wagner

Kentucky Power Company
Case No. 2009-00117

Ln No	Name	Annual Amount Contributed		
		Twelve Months Dec. 2006	Twelve Months Dec. 2007	Twelve Months Dec 2008
1	Ashland Community College	\$4,000	\$9,770	\$6,819
2	Challenger Learning Center	\$7,500	\$5,000	\$0
3	Foundation for the Tri-State	\$3,750	\$3,800	\$2,000
4	Hazard Community & Technical College	\$4,600	\$5,500	\$0
5	Kentucky River Area	\$3,800	\$4,350	\$4,350
6	Paramount Arts Center	\$10,000	\$20,000	\$10,000
7	Pikeville College	\$5,275	\$5,775	\$275
8	Leadership Kentucky Foundation	\$5,000	\$10,000	\$0
9	Ashland Summer Motion	\$15,000	\$35,000	\$0
10	KCTCS Foundation	\$5,250	\$2,250	\$2,250
11	Big Sandy College Education Foundation	\$6,500	\$4,000	\$4,000
12	Kentucky Chamber of Commerce	\$7,500	\$17,500	\$7,500
13	Boys and Girls Club	\$0	\$0	\$25,000
14	Kentucky Education Television	\$1,000	\$8,000	\$13,000
15	Highlands Foundation	\$0	\$0	\$15,600
16	Sub-total	\$79,175	\$130,945	\$90,794
17	HEA Program Payments	\$122,652	\$173,272	\$43,443
18	Sub-total (Lines 16+17)	\$201,827	\$304,217	\$134,237
19	One minus tax rate	62.19%	62.19%	63.30%
20	Net of Tax	\$125,516	\$189,192	\$84,972
21	Thirteen Month Average Equity	\$360,228,647	\$378,880,728	\$399,663,670
22	Net of Tax Effect on Equity	-0.03%	-0.05%	-0.02%
23	Actual Return on Equity	9.73%	8.57%	6.14%
24	Adj.ROE(without Contributions and HEAP)	9.76%	8.62%	6.16%
	Note:	100.00%	100.00%	100.00%
	Less:			
	Federal Tax	31.74%	31.74%	31.04%
	State Tax	6.07%	6.07%	5.66%
		62.19%	62.19%	63.30%

Kentucky Power Company
Case No. 2009-00117

<u>Ln</u> <u>No</u> (1)	<u>Time Period</u> (2)	<u>Thirteen</u> <u>Month</u> <u>Average</u> <u>Equity</u> (3)	<u>Twelve</u> <u>Month</u> <u>Net</u> <u>Income</u> (4)	<u>Average</u> <u>Return</u> <u>on</u> <u>Equity</u> (5)
1	December 31, 2008	\$399,663,670	\$24,531,321	6.1400%
2	December 31, 2007	\$378,880,728	\$32,469,556	8.5700%
3	December 31, 2006	\$360,228,647	\$35,035,029	9.7300%
4	Average			8.1500%

Kentucky Power Company

REQUEST

Refer to the response to Item 4 of Staffs First Request.

a. The audits of CAK for the fiscal years ended June 30, 2007 and June 30, 2008 were performed by different auditors. Explain how CAK selects its independent auditors and why it chose different auditors for its two most recent fiscal year audits.

b. Refer to page 17 of 46 of Attachment A and page 35 of 47 of Attachment B and pages 5 and 6 of the HEAP Report provided in response to Item 1 of Staffs First Request.

(1) For the fiscal years ended June 30,2007 and June 30,2008, the Statements of Activity in Attachments A and B show "Payments to Subrecipients" of \$5,475 and \$23,080, respectively. Explain what these payments represent.

(2) The "Subsidies Distributed" column on pages 5 and 6 of the HEAP Report shows amounts of \$119,329 and \$549,480, respectively, for the 2006-2007 and 2007-2008 program years. Explain what these amounts represent and how, aside from the dollar amounts, this item differs from what is identified as "Payments to Subrecipients" referred to in part (1o)f this request.

RESPONSE

a. Community Action Kentucky contracted with Larry Williams CPA for its 2006-2007 audit. That was the fourth year that we had used that auditing firm to conduct our annual OMB A-133 audit. Following the recommendations contained in the Sarbanes Oxley legislation for non-profits, CAK elected to solicit bids for the audit. It is the informal policy of CAK to bid out its audit services every three to five years. We will utilize the same firm for our 2008-2009 audit as we did for our 2007-2008 audit, Blank and Ingram.

b. (1) Those payments represent fees paid to the five community action agencies that enroll households in the program in the Kentucky Power service territory. The agencies are paid \$25 for a new enrollment and \$15 for a re-enrollment.

b. (2) These amounts represent subsidies applied to clients' accounts. Payments to subrecipients are the fees paid to the local agencies for enrollment and re-enrollment of clients in the program.

WITNESS: Thomas "Kip" Bowmar