

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL	)	
ELECTRIC COOPERATIVE CORPORATION	)	CASE NO.
FOR APPROVAL OF A PREPAY METERING	)	2012-00425
PROGRAM	)	

ORDER

On September 17, 2012, Big Sandy Rural Electric Cooperative Corporation (“Big Sandy”) filed an application seeking approval of a prepay metering program (“Prepay Program”) rider to its tariff. The proposed rider is a voluntary option to be made available to Big Sandy’s Rate Schedule A-1 Farm and Home rate class, excluding accounts on levelized or budget billing, auto draft, net metering, three phase accounts, and accounts with greater than 200 amp service. Big Sandy further requests, for its Prepay Program only, deviations from 807 KAR 5:006, Sections 7 and 15.<sup>1</sup> 807 KAR 5:006, Section 7, requires a rate schedule under which a bill is computed to be printed on paper, and 807 KAR 5:006, Section 15, permits a utility to terminate service due to non-payment of bills only after the utility has provided the customer an advance termination notice.

Commission Staff conducted two rounds of discovery and one Informal Conference (“IC”) was held. Some details of Big Sandy’s proposed program were

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<sup>1</sup> Big Sandy made it request pursuant to 807 KAR 5:006, Sections 6 and 14, respectively. Since the filing of its application, the Commission has promulgated revisions to 807 KAR 5:006. The section of the Commission’s general rules relating to bills and termination is now found at 807 KAR 5:006, Sections 7 and 15, respectively.

slightly modified as a result of the discovery process and those modifications have been reflected in the record. There are no intervenors in the case. The matter now stands submitted to the Commission for a decision.

### DISCUSSION

To enroll in the proposed Prepay Program, a customer must complete and sign an Agreement for Participation in the Prepay Program<sup>2</sup> ("Agreement"), which sets out the terms and conditions of the program. The term of the Agreement is for one year; however, Big Sandy's proposed Prepay Program tariff rider states that it will consider exceptions to the one-year requirement based upon the circumstances of the member. To participate, a customer must have the capability to receive electronic communications, including email, text, or automated phone message. The Agreement states that it will be the customer's responsibility to manage his or her own communication devices, including any change in the customer's contact information.

Under the proposed Prepay Program, at the time the prepay account is activated, an initial payment of \$100 will be required. Participants can then apply funds to their account in any amount, or as many times per month, as they choose.

Under the terms of the proposed Prepay Program tariff, the prepay account would not be subject to deposits, late fees, disconnect fees, and reconnect fees, but would still be subject to the returned check charge. Customers having a deposit on their current accounts will have the deposit credited toward any remaining balance on the account before any funds are transferred to the prepay account. If a member elects to enroll an account in prepay, the total amount of any existing payment arrangements

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<sup>2</sup> Application, Exhibit B.

will be applied to the account so the full unpaid balance will be reflected in the prepay account. If a member has been disconnected for non-payment, he or she may request to be reconnected and enrolled in the Prepay Program. If the member is unable to pay the outstanding account balance in full, he or she will be offered a payment plan in which future purchases will be split 70/30 until the old debt is retired, with 70 percent of the payments applied to new purchases and 30 percent applied to retirement of the previous balance. Prepay accounts will be updated at least once per day to show the remaining balance in the account. If a meter reading is unavailable, the account will be estimated for that day. The proposed program fee, the customer charge, kWh used, fuel adjustment, environmental surcharge, applicable taxes, franchise fees, and outdoor lights would be prorated daily. When the amount of funds remaining in a prepay account reaches a minimum dollar threshold chosen by the customer, an automated message will be sent to the customer.

Big Sandy states that there are several benefits associated with its proposed Prepay Program, including increased customer satisfaction due to additional choice, lack of a deposit requirement, and increased conservation. Big Sandy indicated that studies show that prepay programs reduce energy consumption up to 10 percent, reducing the carbon footprint and providing support to Big Sandy's Demand-Side Management initiatives. Big Sandy further alluded to an expected decrease in its expenses by reducing costs associated with reconnects following disconnects, write-offs of bad debt, and delinquent account collections.

Big Sandy's Prepay Program would be implemented by means of its Customer Information System ("CIS") and its Aclara Automated Meter Infrastructure ("AMI")

system, with an interface provided by Exceleron's Prepaid Account Management System. Big Sandy indicated that it chose the Exceleron software because it is widely used around the country. In response to a request for information, Big Sandy provided a copy of the NRECA, Cooperative Research Network, Prepaid Metering Analytical Report, which indicated that 47 of the 95 cooperative prepayment programs in existence as of June 2012 use Exceleron as their prepayment engine. Big Sandy also favors Exceleron because it interfaces seamlessly with its CIS and AMI systems, and because it provides customer benefits that other providers do not. Big Sandy stated that its current billing system does not interface with the Aclara AMI system for purposes of implementing a prepay system, and stated that Exceleron provided a more economical solution with more robust features (i.e., the ability to send text messages and make automated phone calls).

Big Sandy proposes a monthly program fee of \$8.86, which is calculated to recover the equipment costs, installation costs, and program expenses incurred as a result of a member's participation in the Prepay Program, and which imputes projected cost savings expected to be realized at the anticipated level of 500 customers participating. Big Sandy provided justification for the calculation of the program fee in its application, which was supplemented through responses to requests for information and information provided at the IC. The most significant element of cost included in the monthly program fee is the cost of software hosting for the Exceleron software, which is a fixed charge of \$6 per customer per month. Adding the \$6 hosting fee to the other projected expenses of the program produced program-related customer expenses of \$8.36 per month, with the cost of three transactions per month adding \$3.15 for a total

of \$11.51 projected customer expenses per month. Big Sandy arrived at the proposed \$8.86 per month fee by imputing \$2.65 in net monthly savings associated with the prepay program, and subtracting this amount from projected expenses.

During the IC, Commission Staff inquired whether Big Sandy had considered implementing its Prepay Program on a pilot basis as opposed to establishing it as a permanent feature of its tariff. Big Sandy responded that it had not. As a result of the research it has conducted on the subject, including discussion with other cooperatives in Kentucky and around the country, Big Sandy believes prepay metering will become a permanent feature of cooperative tariff offerings and it is therefore not interested in pursuing it on a pilot basis. Big Sandy also indicated that it believes the program will be beneficial to its customers, that it has diligently researched the reasonableness of its projections, and that it is comfortable with its proposed customer fee.

#### FINDINGS

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Despite Big Sandy's preference for a permanent tariff as opposed to one implemented on a pilot basis, the Commission believes it is reasonable to condition the approval of the Prepay Program subject to Big Sandy agreeing to implement the program as a three-year pilot. Big Sandy's proposed Prepay Program, as modified during the course of this proceeding, should be approved on a pilot basis for three years so that Big Sandy and the Commission can monitor participation and determine if, in the long term, cost savings can reasonably be expected to occur at a level that off-sets costs to the extent Big Sandy projects.

2. Big Sandy's request for deviation from 807 KAR 5:006, Sections 7 and 15, for the Prepay Program should be approved.

3. Big Sandy should track data and maintain records that, at a minimum, include the type of information identified in the Appendix to this Order. Big Sandy should provide that information to the Commission each year in a report filed along with its Annual Report.

4. No less than six months prior to the end of the three-year period, Big Sandy should file with the Commission either a statement that it will allow the program to terminate at the end of the pilot or a request, in the form of an application, to extend and/or modify the program after the end of the pilot.

IT IS THEREFORE ORDERED that:

1. Big Sandy's proposed Prepay Program, as modified during the course of this proceeding, is approved on a pilot basis for three years to begin on and after the date of this Order, subject to the agreement of Big Sandy.

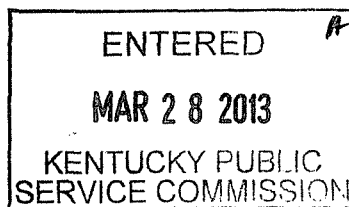
2. Within 10 days of this Order, Big Sandy shall indicate its acceptance of the pilot status of its program by filing its Prepay Metering Program rider tariff and Agreement for Participation, as modified during the course of this proceeding, showing the date issued and that it was issued by authority of this Order. Big Sandy shall otherwise file within 10 days that it does not intend to implement the Prepay Program.

3. Big Sandy shall file a request, which indicates its intention for the pilot Prepay Program beyond the initial three-year term, no later than six months prior to the end of the three-year pilot period.

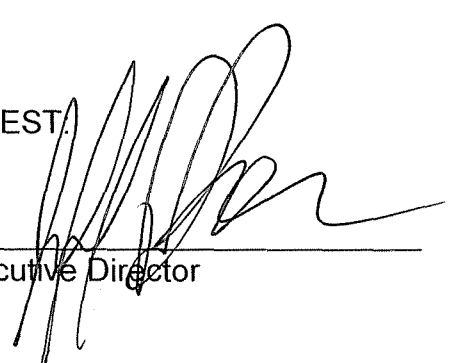
4. Big Sandy's request for deviation from 807 KAR 5:006, Sections 7 and 15, for the Prepay Program is approved.

5. Big Sandy shall track data and maintain records as required in finding paragraph 3 above, and shall submit the information to the Commission in a supplemental report filed at the time it files its Annual Report.

By the Commission



ATTEST.

  
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Executive Director

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00425 DATED **MAR 28 2013**

The information and data to be maintained by Big Sandy, shall, at minimum, address the following issues:

1. The number of participants over the course of the Prepay Program, disaggregated to show how many: (a) remained in the program from the time they enrolled; (b) were terminated from the program (and the reasons for such termination); and (c) voluntarily left the program (and the reasons for leaving).

2. The number of participants whose enrollment resulted from having sought to resolve a past due bill, an arrearage balance, prior service disconnection, or some other service or payment problem.

3. The number of participants, by month, who permitted their purchased energy to run down to a negative balance causing their service to be terminated.

4. The number of participants who permitted their purchased energy to run down to a negative balance multiple times, with the numbers disaggregated to show the number with two, three, and four or more such occurrences.

5. The number of participants with arrearage balances at the time of enrollment showing the number with arrearages of: (a) \$100 or less; (b) \$101 to \$299; and (c) \$300 or greater.

6. The number of participants that had received disconnect notices at their current residence during the 12 months immediately prior to enrolling in the program.

7. For all program participants, the month each participant enrolled in the program, and individual monthly electric usage and bill amounts comparing the month



in the current year with the same month in the prior year (i.e., March 2013 with March 2012, April 2013 with April 2012, May 2013 with May 2012, etc.)

8. Program fee collections, by month, for the time period covered by the report.
9. Program-related cost, by month.
10. Savings and margin losses realized as a result of the program.

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