

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUN 20 2012

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF SALT RIVER)
ELECTRIC COOPERATIVE)
CORPORATION FOR APPROVAL OF A)
PREPAY METERING PILOT PROGRAM)
)

Case No. 2012-00141

THE RESPONSE OF SALT RIVER ELECTRIC COOPERATIVE CORPORATION
TO COMMISSION STAFF'S **SECOND REQUEST** FOR INFORMATION



Salt River Electric Cooperative Corporation
111 West Brashear Avenue
Bardstown KY 40004
Tel. (502) 348-3931

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

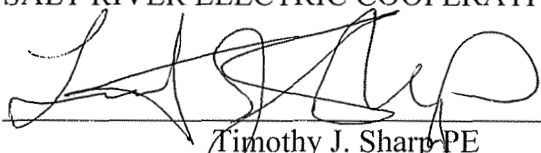
Application of Salt River)	
Electric Cooperative)	
Corporation for Approval of)	CASE NO. 2012-00141
a Prepay Metering Pilot)	
Program)	

CERTIFICATE OF PREPARATION

STATE OF KENTUCKY
COUNTY OF NELSON

Timothy J. Sharp, being duly sworn, states that he supervised the preparation of responses to Kentucky Public Service Commission Staff's **Second Request** for Information dated June 8, 2012 in the above-named case, and that the matters and items set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

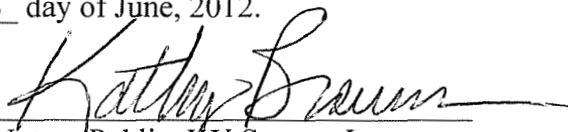
SALT RIVER ELECTRIC COOPERATIVE CORP.



Timothy J. Sharp PE
Chief Operating Officer

STATE OF KENTUCKY
COUNTY OF NELSON

Subscribed and sworn before me on this 18 day of June, 2012.



Notary Public, KY State at Large

My commission expires: 12/16/2014

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SALT RIVER ELECTRIC)	
COOPERATIVE CORPORATION FOR)	Case No.
APPROVAL OF A PREPAY METERING PILOT)	2012-00141
PROGRAM)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO SALT RIVER ELECTRIC COOPERATIVE CORPORATION

1. Refer to the response to Item 1.a of Salt River's Response to Commission Staff's First Information Request ("Staff's First Request").
 - a. State whether the \$155.00 shown as "Additional meter and hardware cost" is the cost of an AMI meter that has remote disconnect/reconnect capability. If no, provide a detailed breakdown of the \$155.00 cost.

The \$155.00 is the additional cost above the normal AMI meter for having a meter that is capable of performing remote disconnects and reconnects. The normal AMI meter is \$91.50. The prepay meter capable of remote disconnects and reconnects is \$246.50.

Responsible Witnesses: Tim Sharp, COO; Don Black, Bullitt District Branch Manager

- b. Explain what will happen to the existing meter when a current customer becomes a prepay customer (i.e., will the existing meter be retained for future use).

The existing meter will be retained for future use.

Responsible Witnesses: Tim Sharp, COO; Don Black, Bullitt District Branch Manager

- c. Explain what will happen to the meter if a prepay customer exits the program (i.e., will the AMI meter with disconnect/reconnect capability be removed and retained for a future prepay customer, or will it be used to measure usage for a post-pay customer).

The AMI meter capable of remote disconnects and reconnects will be removed and replaced with a normal AMI meter. The removed meter will then be retained for future use by prepay customers.

Responsible Witnesses: Tim Sharp, COO; Don Black, Bullitt District Branch Manager

- d. Provide the estimated useful lives of an AMI meter with disconnect/reconnect capability and an AMI meter without disconnect/reconnect capability.

All AMI meters are anticipated to have a useful life of 15 years.

Responsible Witnesses: Tim Sharp, COO; Eddie Boone, VP-Finance

- e. State whether the estimated labor to replace the meter in the amount of \$17.18 and the meter test estimated to be \$6.00 will be performed by an outside contractor or a Salt River employee.

It is anticipated that all labor will be performed by Salt River employees.

Responsible Witnesses: Tim Sharp, COO; Don Black, Bullitt District Branch Manager

- f. Provide a breakdown of the \$14.00 between the vehicle and overhead costs.

Overhead costs are approximately \$8.60. Vehicle costs for pickup are approximately \$5.40.

Responsible Witnesses: Tim Sharp, COO; Don Black, Bullitt District Branch Manager

- g. Provide the cost of a meter without the remote disconnect/reconnect capability.

\$91.50.

Responsible Witness: Tim Sharp, COO; Don Black, Bullitt District Branch Manager

- 2. State whether Salt River will incur any software costs to implement the prepay program. If yes, provide the costs, both one-time and annual costs.

There will be \$15,600 in one-time costs and \$13,200 in annual costs.

Responsible Witness: Tim Sharp, COO

- 3. State the number of customers that Salt River estimates will participate in the prepay program.

350 customers

Responsible Witness: Tm Sharp, COO

4. Attached to the request is the calculation of prepay program costs made by Nolin Rural Electric Cooperative Corporation in Case No. 2011-00141. Using the same format as in the appendix, but using data and costs applicable to Salt River, provide an updated calculation of prepay program costs for Salt River.

Please see Attachment # 1.

Responsible Witness: Tm Sharp, COO

5. Refer to Salt River's response to Item 1.e of Staff's First Request.
 - a. The response states that customers can make payments in person over the internet and by phone. Are both of these payment methods available also for post-pay customers? If no, state which method(s) are not available to post-pay customers and the transaction fees that Salt River will incur to offer the payment method(s) to prepay customer.

Payment methods for prepay and post-pay are the same. No transaction fee will be accessed to the customer for any payment method.

Responsible Witness: Marsha Whitehouse, Manager of Customer Service

- b. State whether customers will be able to make payments 24 hours a day, seven days a week.

Customers will be able to make payments 24 hours seven days a week via Salt River's web site or by telephone with either a credit card or e-check.

Responsible Witness: Marsha Whitehouse, Manager of Customer Service

6. Refer to Salt River's response to Item 2.a of Staff's First Request which states that customers can monitor usage via the web site, text or e-mail. State whether a prepay program customer can also monitor usage by visiting or calling Salt River's office.

A pre-pay customer will be able to monitor usage by visiting or calling Salt River's offices.

Responsible Witness: Marsha Whitehouse, Manager of Customer Service

7. Refer to Salt River's response to Item 2.b.(ii) of Staff's First Request. The response states that the customer can set a minimum balance threshold for notification and that the customer would be notified via text or e-mail. State whether the notification will continue periodically until an amount is applied to the account or the account is disconnected. If yes, at what interval will the notification continue?

Yes, once daily. This has been added in # 8 in the newly revised proposed Agreement (please see Attachment #2).

Responsible Witness: Melissa Hite, Manager of Information Technology

8. Refer to Attachment 1 to the response to Staff's First Request, the Agreement for Participation in Prepay Program ("Agreement").

- a. Refer to paragraph 8 which states that when funds remaining reach an estimated threshold of four days, an automated message will be sent to the member. The response to Item 2.b.(ii) of Staff's First Request states that customers can set a minimum balance threshold for notification. State which response is correct.

The alert is based on a minimum balance threshold. This can be set by the utility and edited by the customer to meet their usage and daily habits. They can get alert at any dollar amount.

Responsible Witness: Melissa Hite, Manager of Information Technology

- b. Refer to paragraph 19. The last sentence in this paragraph states that "the member or his/her designee must push the reset button on the meter to restore electric service."

- i. Does this apply to any reconnection after a disconnection? If no, explain.

Only those customers with a prepay meter will have to push a reset button to reconnect the meter. Because the prepay meters will utilize a remote connect and disconnect collar, our personnel will not have to visit the location to reconnect the meter. Once the customer has made a payment towards prepay, the customer can hit the reset button when ready to reconnect the electric service.

Responsible Witness: Marsha Whitehouse, Manager of Customer Service

- ii. Will a prepay customer receive a demonstration on this at the time the Agreement is signed?

The prepay customer will receive a demonstration of the reset button at the time the agreement is signed.

Responsible Witness: Marsha Whitehouse, Manager of Customer Service

- c. Explain why a listing of the various payment methods and ways in which customers can monitor usage is not included in the Agreement. Provide an updated Agreement which includes the information.

This has been corrected in # 20 and # 21 in the newly revised proposed Agreement (please see Attachment # 2).

Responsible Witness: Melissa Hite, Manager of Information Technology

9. Confirm that the additional customer charge of \$0.17 per day will cease when a customer reverts to a post-pay account.

If a prepay customer converts to a post pay meter, the additional customer charge of \$.17 per day will cease.

Responsible Witness: Marsha Whitehouse, Manager of Customer Service

10. Other than the collection of a customer deposit, state whether there will be a cost to the customer to switch from a prepay account to a post-pay account.

If a customer converts from prepay to post pay and has not fulfilled an agreement to pay a past debt, then the customer would have to pay the past debt in full to obtain service.

Responsible Witness: Marsha Whitehouse, Manager of Customer Service

11. State whether Salt River received any grant money to implement the prepay program. If yes, provide the amount received and state the costs that will be paid with the money.

No.

Responsible Witness: Tim Sharp, COO

12. The Agreement contains details of the prepay program that are not included in Salt River's application. Provide a revised proposed tariff for the prepay program which includes the information contained in the Agreement as well as the various payment and usage monitoring methods.

Please see the attached newly revised proposed Agreement (please see Attachment # 2) and the newly revised proposed Tariff (please see Attachment # 3).

Responsible Witness: Melissa Hite, Manager of Information Technology

Part I of this response is equipment cost which is the amount of investment that Salt River will make for each participant in the pilot program. Listed below is the investment per member segmented into two components: the allocation investment and the direct investment.

Part I

Equipment Cost:

		<u>Per Member</u>
1. Program Software	\$15,600	\$44.47
2. Number of Participants	350	
3. Prepay Meter		<u>\$155.00</u>
Investment per Member		\$199.57

The software cost is the allocated investment and has been allocated over the expected pilot participants of 350 members and amounts to \$44.47 per participant. The timeframe obtaining this number of participants cannot be determined at the present time, but Salt River’s intent is three years. The participant (direct) investment is \$155.00.

Part II of this response is an estimate of the annual cost per participant in this program.

Part II

Annual Expenses		<u>20-Year Life</u>
Depreciation		\$13.30
Interest @ 4%		\$ 7.98
O & M		
Software 20%		\$37.71
Prepay Meter 10%		<u>\$15.50</u>
	Annual Expense	\$74.49
	Monthly Expense	\$6.21
	Daily Expense	\$0.204

All assumptions were taken from the Jackson Energy submitted tariff. The expected life of these investments is estimated at 20 years resulting in a 5% depreciation rate. We have set the interest rate at 4%. Operations and Maintenance (“O&M”) expenses are 20% for the software and 10% for the prepay meters. These O&M expenses are based on the best information that Jackson Energy could gather from other utilities with similar programs. The daily rate per participant is proposed at \$0.204 which is less than the estimated cost per day.

Responsible Witness: Tim Sharp, COO

**SALT RIVER ELECTRIC COOPERATIVE CORPORATION
AGREEMENT FOR PARTICIPATION IN PREPAY PROGRAM**

Member Name _____	Home Phone _____
Account No. _____	Cell Phone _____
Service Address _____	E-mail _____

The undersigned (hereinafter called the “member”) hereby applies for participation in the voluntary PrePay Electric Service Program offered to members of Salt River Electric Cooperative Corporation (hereinafter called the “Cooperative”), and agrees to the following terms and conditions:

- _____ 1. The member shall purchase electric energy from the Cooperative in accordance with the present and any future rate schedule of the Cooperative on a prepay basis for the above referenced account.

- _____ 2. The member understands that the terms and conditions set forth in the member’s Application for Membership continue to apply in addition to the terms and conditions of this Agreement for PrePay Electric Service, subject, however, to any changes set forth in this Agreement.

- _____ 3. The member shall pay any membership and connect fees as applicable by the Cooperative bylaws and the Cooperative Rules and Regulations as approved by the Kentucky Public Service Commission as may be required for the member to participate in the PrePay Electric Service Program.

- _____ 4. Any deposit on the above referenced account will be applied to the account before the account changes to PrePay. Any credit remaining on the account will be applied to the PrePay account. However, if the member has another account(s) which does not have a satisfactory credit history, the remaining credit will be transferred as a deposit to the unsecured account(s). The deposit will only be refunded by applying it to the member’s account(s) as described.

- _____ 5. As a result of participation in the PrePay Program, the member will not be mailed a monthly paper bill for electric usage or other applicable fees or charges. However, the member may request a copy of their monthly bill or view the bill online through Salt River’s website.

- _____ 6. The member shall pay an additional daily program fee. This amount will be in addition to the charges included in the Cooperative’s rate schedule.

- _____ 7. If a member changes any of the contact information (i.e. e-mail address, phone number, etc.) provided on this agreement, it is the responsibility of the member to notify the Cooperative of any such changes immediately. It is the member’s responsibility to manage their own communication devices.

- _____ 8. **When the amount of funds remaining on a PrePay account reaches the minimum balance threshold, an automated message will be sent daily to the member rather than a written notice sent by U.S.Mail.**

- _____ 9. The member shall be responsible for regularly monitoring the balance on the PrePay account and understands that the electric service will be subject to disconnection without any written notification from the Cooperative to the member once the balance of the account reaches zero (\$0.00).

- _____ 10. The member confirms that he/she has internet access.

- _____ 11. Levelized budget billing, automatic payment draft, net metering, and ETS accounts are not eligible for PrePay.

- _____ 12. Should the member have a payment returned for any reason, the returned payment will be charged to the PrePay account. The member’s account shall also be charged a return payment fee in addition to the returned payment amount. If there are not sufficient funds to cover the returned item and fee, the account will be disconnected immediately.

- _____ 13. By signing this agreement, the member affirms there are no residents in the home currently that have medical conditions that will be impacted by loss of service. Should this status change, the member shall contact the Cooperative in writing, upon which

the account will be removed from the PrePay program and will revert to a post-pay account. It is the responsibility of the member to confirm the Cooperative is in receipt of the written request for removal from the program.

_____ 14. A Prepay account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather/temperatures as the member is responsible for ensuring that the PrePay account is adequately funded. If the member can not ensure proper funding, Salt River recommends the member not utilize the PrePay service.

_____ 15. Prepay accounts shall not be eligible for payment arrangements with the Cooperative and energy assistance shall not be applied until received as payment on the member's PrePay account. However, the PrePay account will not be disconnected if the amount of the voucher is sufficient to pay for the entire amount of any arrearages owed by the member.

_____ 16. If a member has a PrePay account and presents a Certificate of Need, Winter Hardship Reconnect, or Medical Certificate, the account will be reverted to a post-pay account.

_____ 17. The member authorizes the Cooperative to transfer the unpaid balance of \$ _____ from the member's postpay account to the PrePay account. The member also authorizes the kWh used since the last bill date until the meter is changed to a prepay meter be calculated and transferred to the PrePay account. The member further agrees that thirty percent (30%) of any payments made on this account in the future shall be applied to the balance until said balance is paid in full. Any fees/penalties (returned payment, meter tampering, etc.) shall be paid before any payments are applied to the member's PrePay account.

_____ 18. If a member wishes to disconnect service, the member shall be refunded any balance on the PrePay account. Any refund will be processed in the same manner as postpay account refunds.

_____ 19. If a Prepay account is disconnected due to lack of funds or any other reason, the Cooperative shall be held harmless for any damages due to loss of energy services. Likewise, if the account is disconnected and the member applies funds to the PrePay account thus causing the account to be reconnected, the member accepts full responsibility for any damages to the location caused by the account being reconnected and holds the Cooperative harmless from any damages arising from such a reconnection. The member or his/her designee must push the reset button on the meter to restore electric service.

_____ **20. Payment may be made in the office, over the phone, or via the web site (www.srelectric.com).**

_____ **21. Usage can be monitored via the web site (www.srelectric.com).**

_____ 22. The term of this agreement shall be for one (1) year. If discontinuing PrePay service, the member must meet the requirements of a non-prepaid member for continued service, including payment of a deposit. This agreement will auto-renew annually.

_____ 23. The Prepay pilot program is in effect for three years. At the end of the three years, if the program is not continued, all PrePay accounts will revert to post-pay accounts.

Member Signature: _____ SSN: _____ Date: _____

Member Signature: _____ SSN: _____ Date: _____

CSR Signature: _____ Date: _____

OFFICE USE ONLY	
SO Number	Date Installed
Customer No.	Initials
Comments	

STANDARD RIDER

This Voluntary Prepay Electric Service is a rider to Rate Schedule A-5 (Farm and Home Service).

APPLICABLE

In all territory served.

AVAILABILITY

Available to members of the Cooperative for all Farm and Home uses subject to the established rules and regulations of the Seller excluding accounts on Levelized Budget Billing, ETS, Net Metering or services greater than 200 amp.

TYPE OF SERVICE

Prepaid Electric Service

RATES

In addition to the Customer Charge and kWh charge for Rate Schedule A-5 (Farm and Home Service), there will be a 17 cents per day program fee.

TERMS AND CONDITIONS

This program is a voluntary program available to members of the Cooperative. Consumers receiving service under this tariff are required to enter into a contract for a minimum of one (1) year and the prepay agreement will follow the plan. However, if after a few months the member discovers the prepay option is not convenient for their lifestyle; the member may revert to a tariff without the rider. At this point the member will be subject to conditions of the tariff without the rider, such as making a deposit with the cooperative.

Members must have internet access to participate in this voluntary prepay program.

Each Member choosing the prepay option will be subject to all other application rules and regulations which apply to members using a tariff without the prepay rider.

The member will be required to pay the membership fee and be entitled to all member benefits as other members.

CHARGES AND ASSESSMENTS

- (A) Non-energy charges such as the customer charges will be pro-rated daily. Each day at a time specific, that amount will be deducted from the total balance of the account.
- (B) The fuel adjustment and the environmental surcharge will be credited or debited to the account based upon the purchase. The

dollar amount will be the allocation for the month of the purchase.

- (C) At the time the account is activated with the prepay option, the initial purchase is recommended to be a minimum of \$75.00. Purchases beyond the point of activation may be in any increment of the members choosing and could be \$20.00 or less.
- (D) When a member converts from post pay to prepay and that member has a deposit on file with the Cooperative, the deposit will not be refunded but converted into a credit on the account going forward. This is of course if the deposit is not needed to meet the original purpose of the deposit.
- (E) After a Salt River Electric member has been disconnected for non-pay and chooses the prepay option for reconnect, they will be subject to a plan whereas future purchases will be split 70/30 until the old debt is retired. 70% will be applied to new purchases while the 30% will be applied towards retirement of the previous balance.

MEMBER BENEFITS

No deposit or late fees. The fact that the member prepays for electric power means that there is not a requirement for the member to pay a deposit to Salt River Electric. Also, there will be no disconnect/reconnect charges.

OTHER

- (A) Refunds and credits: When a member decides to leave the program and they have a credit to their accounts, they will have two options. 1) Make some type of agreement with the new owner/tenant as to the balance or 2) request a refund from Salt River Electric and have the power disconnected.
- (B) A prepay account will be disconnected if the balance of the account becomes negative, regardless of weather/temperatures.
- (C) This prepay pilot program is in effect for three years. At the end of the three years, if the program is not continued, all prepay accounts will revert to post-pay accounts.
- (D) The member will not be mailed a monthly paper bill. However, the member may request a copy of their monthly bill or view the bill online through the Cooperative's website.
- (E) It is the member's responsibility to manage their own communication devices and contact the Cooperative if information changes
- (F) When the amount of funds remaining reaches the minimum balance threshold, an automated message will be sent daily to the member rather than a written notice sent by U.S. Mail.
- (G) Should the member have a payment returned for any reason, the returned payment will be charged to the account. The account shall also be charged a return payment fee. If there are not sufficient funds to cover the returned item and fee, the account will be disconnected immediately.

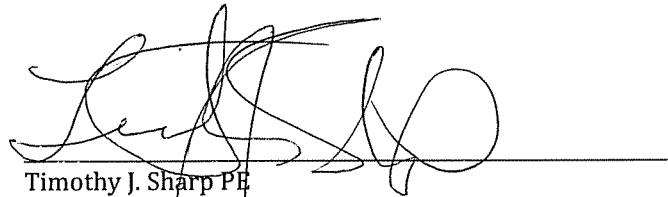
- (H) No residents in the home can have a medical condition impacted by loss of electric service
- (I) Prepay accounts are not eligible for payment agreements and assistance will not be applied until received as payment.
- (J) Presenting a Certificate of Need, Winter Hardship Reconnect, or Medical Certificate will convert the account to post-pay
- (K) The Cooperative shall be held harmless for any damages due to loss of energy services. Likewise, if the account is disconnected and the member applies funds to the Prepay account thus causing the account to be reconnected, the member accepts full responsibility for any damages to the location caused by the account being reconnected and holds the Cooperative harmless from any damages arising from such a reconnection. The member or his/her designee must push the reset button on the meter to restore electric service.

KY PSC Case No. 2012-00141 Service List

Jennifer Black Hans
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Executive Director
KY Public Service Commission
211 Sower Boulevard
Frankfort KY 40601

I hereby certify that a true and correct copy of
Salt River Electric Cooperative Corporation's Responses
to Commission Staff's First Request for Information in
the above-named case was this 18 day of June,
2012 mailed to the above.



Timothy J. Sharp PE
Chief Operating Officer
Salt River Electric Cooperative Corporation
111 West Brashear Avenue
Bardstown KY 40004