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COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

December 16, 1992

RECEIVED

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GENERAL COUNSEL

Mr. Frank K. Downing
General Manager
Owen Electric Cooperative, Inc.
510 South Main Street
Owenton, Kentucky 40359

Re: Bill Protection Insurance

Dear Mr. Downing:

The Commission staff has reviewed your November 17, 1992 correspondence regarding the "Secure Pay" bill protection insurance policy that you intend to offer your ratepayers starting in January 1993.

You have indicated that this insurance is to be underwritten by the American Bankers Insurance Group and will be offered on a purely voluntary basis to your customers. If a customer elects to purchase such insurance, Owen Electric will include the premium as a line item on the customer's bill for the convenience of the customer. Although the premiums will appear on ratepayers' bills, failure to pay for this non-utility service does not constitute grounds for termination of utility service. The premium rebate which Owen is to receive from the insurer will be donated to the utility's WinterCare Energy Fund.

The staff is of the opinion that this insurance is a non-utility service and, thus, we concur in your conclusion that there is no need to file a tariff for this product. Since this type of insurance is relatively new and has not previously been offered in Kentucky, it would be helpful if Owen Electric would file a semi-annual statement setting forth in summary fashion details of the number of ratepayers enrolling and canceling, amount of premiums collected, insurance payments to Owen Electric, and any problems or complaints encountered with the program. While the Commission acknowledges that this is not a tariff item subject to its jurisdiction, the overall cost of utility service for jurisdictional accounting and rate setting purposes must be determined by segregating the cost associated

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with such non-utility operations. Therefore, Owen will be required to maintain detailed records identifying all costs related to this non-utility service and include a summary of this information as a part of the semi-annual reports. We trust that this is the type of information that Owen Electric would be compiling for its own use to determine the benefits derived from this insurance and, therefore, such a report will not be unduly burdensome.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Don Mills". The signature is written in a cursive style with a large initial "D" and "M".

Don Mills
Executive Director

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