COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION FOR APPROVAL OF A PREPAY METERING PROGRAM TARIFF	))))	CASE NO. 2012-00437

ORDER

On September 27, 2012, Farmers Rural Electric Cooperative Corporation ("Farmers") filed an application seeking approval of a prepay metering tariff ("Prepay Program"). The proposed Prepay Program will be completely voluntary and if approved, will be available as an optional rider to Farmers' Schedule R – Residential Service tariff, and will be available to all members being served under that tariff. The rider is named Pay-As-You-Go (PrePay) Residential Rider ("Prepay Rider"). The prepay account is referred to as the Pay-As-You-Go Account ("Prepay Account"). Farmers further requests, for its Prepay Program only, deviations from 807 KAR 5:006, Sections 6 and 14. 807 KAR 5:006, Section 6, requires a paper bill to be mailed to members, and 807 KAR 5:006, Section 14, requires a written notice of service termination for non-payment.

By Order dated October 17, 2012, the Commission established a procedural schedule to investigate the reasonableness of the proposed new program. Farmers indicated that it would like to implement the Prepay Program and have it available to its customers March 1, 2013.[1]

[1] Response to Commission Staff's Second Request for Information, Item 3, filed Dec. 19, 2012.

Commission Staff issued three requests for information. There are no intervenors in the case. The matter now stands submitted to the Commission for a decision.

DISCUSSION

To enroll in the Prepay Program, a customer must complete and sign an Agreement for Participation in the Pay-As-You-Go Program ("Agreement"),[2] which sets out the terms and conditions of the program. The Agreement will be in effect until the member desires to cancel.[3] To participate, a customer must have the capability to receive electronic communications, including Internet access. It will be the customer's responsibility to manage his or her own communication devices, including any change in the customer's contact information.

The software utilized by Farmers is Aclara/TWACS for its Automated Metering Infrastructure ("AMI") system. Farmers indicates that the system is capable of accommodating an in-home display with the purchase of an additional software enhancement module from Aclara.[4] Farmers stated that if it were to offer an in-home display, it would need to purchase the in-home display units, an Aclara software enhancement, pay for annual software maintenance/licensing, and purchase computer equipment to manage this option.[5] Farmers states that if it were to offer an in-home

[2] Response to the Supplement to Commission Staff's Second Request for Information, Item 1.b. and Ex. 2, filed Dec. 19, 2012.

[3] Response to the Supplement to Commission Staff's Second Request for Information, Item 1, Ex. 2, and Item 20, filed Dec. 19, 2012.

[4] Response to Commission Staff's Second Request for Information, Item 1.a., filed Dec. 19, 2012.

[5] *Id.*

display option, there would need to be a charge to recover the cost of that optional program offering, and that those prepay members choosing to have an in-home display should be responsible for those additional costs.[6] Farmers states that its approach to this program has been to keep the overhead costs of providing the prepay option to a minimum and that it does not believe that in-home displays are a critical requirement for making the program a success. Farmers states that the investment in the software and hardware necessary to provide the in-home display option would be necessary whether one member or several thousand members were to request the option. Farmers states that it is a real concern that if this option were made available, the demand would not be high and that a large investment would have been made with no fair way of recovering the cost.[7]

At the time the prepay account is activated, the initial purchase is recommended to be a minimum of $100.00. Purchases beyond the point of activation will be at an increment of the member's choosing, with a minimum purchase being $10, and a member can apply funds to the account as many times per month as he or she chooses.

Under the terms of the Agreement, the Prepay Account will not be subject to deposits, late fees, disconnect fees, and reconnect fees.[8] Farmers states that it believes that a prepay program is much more than a program to be directed at members who are financially stressed. It also states that if the member cannot ensure

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[6] Response to Commission Staff's Second Request for Information, Item 1.b., filed Dec. 19, 2012.

[7] Response to Commission Staff's Second Request for Information, Item 1.b., filed Dec. 19, 2012.

[8] Response to the Supplement to Commission Staff's Second Request for Information, Item 1.b., Ex. 2, p. 1, and Item 7, filed Dec. 19, 2012.

proper funding, Farmers recommends the member not utilize the Prepay Program. Farmers states that a prepay program is a practical method of promoting the more efficient use of electricity and can therefore be considered an effective demand-side management program. It states that the Prepay Program more actively engages members in monitoring and managing their daily energy usage, and therefore, incentivizes them to use energy more wisely. Farmers plans to market the program from this perspective to broaden its appeal and impact.

Customers that have a deposit on their current accounts will have the deposit and accumulated interest credited toward any remaining balance on the accounts 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 will be applied to the account so the full unpaid balance will be reflected in the prepay account. Any unpaid balance from the final bill of a former member must be paid before the former member can establish prepay service. If an account is switched from prepay to post pay, a deposit will be required or waived based upon the customer's credit history. A returned payment on a prepay account is subject to the service charge listed in Farmers' Rules and Regulations. If a member who has not been in the Prepay Program 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 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. In this situation, 70 percent of the payments will be applied to new purchases and 30 percent will be applied towards retirement of the previous balance minus any applicable deposit. Upon signing the Agreement, the member affirms that there are no residents in the home that have medical conditions that will be impacted by service loss. Should this status change, the member is required to notify Farmers in writing, at which time the account will be removed from the Prepay Program. 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 not be billed until a reading is available. When the amount of funds remaining in a prepay account reaches the established $25 threshold, an automated message will be sent to the customer via text and/or email. Charges such as customer charges, kilowatt hours, fuel adjustment charge, environmental surcharge, applicable taxes, franchise fees, and security lights, will be prorated daily. Farmers proposes a monthly program fee of $3.18, 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. Farmers provided cost justification for the calculation of the program fee in Exhibit D of its application. The AMI meters Farmers currently has in service are compatible with the hardware and software components that will be used in connection with the Prepay Program.

Farmers states that it plans to market and inform its members of this program primarily through direct mail via bill inserts in the monthly bill. Also, the Prepay Program will be promoted through its monthly newsletter, press releases, and other various advertisements.[9]

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[9] Response to Commission Staff's Second Request for Information, Item 2, filed Dec. 19, 2012.

The proposed Prepay Rider requires a one-time service fee of $30 to install the equipment for prepay use. Should the member cease participation in the prepay program, a one-time fee of $30 will be charged to uninstall the equipment. The member will be billed for replacement cost of any damaged equipment, such as the meter or meter collar, when such damage occurs as a result of malice or neglect by the member.

In its application, Farmers states that its Articles of Incorporation and all Amendments thereto are filed in Case No. 2008-00030.[10] Neither a copy of Farmers' March 15, 1938 Articles of Incorporation nor a copy of the July 24, 1939 Amendment to those Articles are located in the record of Case No. 2008-00030.

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

1. Farmers' proposed Prepay Program should be approved.

2. Farmers' request for deviation from 807 KAR 5:006, Sections 6 and 14, for its Prepay Program should be approved.

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

4. Farmers' March 15, 1938 Articles of Incorporation and its July 24, 1939 Amendment to those Articles were not filed in Case No. 2008-00030. Therefore, in its next application requiring Articles of Incorporation be filed with the Commission, Farmers should provide a certified copy of these documents.

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[10] Case No. 2008-00030, Application of Farmers Rural Electric Cooperative Corporation for Approval of a Prepay Metering Program Tariff, filed September 27, 2012, [unnumbered] p. 1, paragraph 3.

IT IS THEREFORE ORDERED that:

1. Farmers' proposed Prepay Program is approved.

2. Farmers' request for deviation from 807 KAR 5:006, Sections 6 and 14, for the Prepay Program is approved.

3. Farmers 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.

4. Within 10 days of this Order, Farmers shall file its Prepay Program Rider tariff and Agreement for Participation in the Pay-As-You-Go Program showing the date issued and that it was issued by authority of this Order.

5. In its next application requiring Articles of Incorporation be filed with the Commission, Farmers shall provide a certified copy of its March 15, 1938 Articles of Incorporation and a certified copy of its July 24, 1939 Amendment to those Articles.

By the Commission

ENTERED
JAN 23 2013
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00437 DATED JAN 23 2013

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

1. The number of participants over the course of the Prepay Program, disaggregated to show how many: (1) remained in the program from the time they enrolled; (2) were terminated from the program (and the reasons for such termination); and (3) 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.)

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