

COMMONWEALTH OF KENTUCKY  
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

REQUEST OF FLEMING-MASON RURAL        )  
ELECTRIC COOPERATIVE CORPORATION        )        CASE NO. 7767  
FOR A DEVIATION FROM 807 KAR            )  
50:015, Section 7 (DEPOSITS)            )

O R D E R

On January 14, 1980, Fleming-Mason Rural Electric Cooperative Corporation (Fleming-Mason) filed with the Commission a request for permission to deviate from 807 KAR 50:015, Section 7, whereby the utility would be allowed to require a set deposit amount of seventy-five dollars (\$75) for non-electric-heating customers and one hundred fifty dollars (\$150) for electric-heating customers; and to be allowed to use 3/12 of multiple estimated annual bills in setting such deposits. The matter was set for hearing on March 31, 1980, at 10:30 a.m. (EST), in the Commission's offices at Frankfort, Kentucky, pursuant to order of the Commission dated March 17, 1980. The hearing was held as scheduled.

The Office of the Attorney General, Consumer Intervention Division, was allowed to intervene pursuant to motion filed at the hearing, and Northeast Kentucky Legal Services was allowed to intervene on behalf of its clients, Billy Joe and Billy Jean Saunders.

Additional information requested at the hearing has now been submitted by the utility and made a part of the record herein.

The Commission, having heard the testimony, having reviewed the record, and being otherwise sufficiently advised, FINDS:

1. Fleming-Mason has approximately 10,500 residential customers of whom an estimated ten percent (10%) or 1050 are electric-heating customers, and an estimated ninety percent (90%) or 9450 are non-electric-heating customers.

2. Fleming-Mason bills on a monthly basis. The billing procedure followed by Fleming-Mason allows accumulation of approximately three (3) months electric usage prior to cut-off for non-payment of bills. The customer reads the meter on the first of the month for the previous month's usage and returns the reading within fifteen (15) days. The utility calculates the bill and returns the

bill to the customer as due on the first of the following month. Cut-off is effected on or after the twenty-seventh (27th) of that month. The utility testified that some consideration had been given to changing the billing cycle but that it did not consider this feasible. However, it appears that a reduction in the accumulated usage could be accomplished without undue hardship to either the utility or the customer by lessening the time between meter reading and return of the reading to the utility, and the utility's time for calculation of bills and return to the customer.

3. The \$75 deposit for non-electric-heated homes was determined from the monthly averages of fifty-five (55) homes selected at random and is based on 3/12 of the average annual usage. This sample represents .58% of the 9450 non-electric homes served. The \$150 deposit for electric-heated homes was determined from the monthly averages of twenty (20) homes selected at random and is based on 3/12 of the average annual usage. This sample represents 1.9% of the 1050 non-electric homes served. The samples used to determine deposit amounts, .58% of the non-electric-heated homes and 1.9% of the electric heated homes, are not adequate to provide a reasonable basis for such determination. No other studies have been made.

4. Of 508 customers with accounts past due for ninety (90) days or longer as of December 31, 1979, and who have been discontinued, one hundred twenty-four (124) customers (24.41%) were relatively new customers, receiving service for less than six (6) months, for whom past usage and payment records would be limited or unavailable. Three hundred and three (303) customers (59.65%) had received service for longer than six (6) months, thus establishing some usage and payment record. The length of service was not indicated for the remaining eighty-one (81) customers.

5. The witness for Fleming-Mason testified that a majority of the customers discontinued would have paid their bills and come back on service since that date.

6. Of the 508 customers shown, 463 are non-electric-heating customers and 45 are electric-heating customers. An analysis of the amounts owing is as follows:

Non-Electric-Heating Customers owing:      Electric Heating Customers owing:

over \$75 -	63	(14%)
\$50 -	74	67 (14%)
\$25 -	49	116 (25%)
\$10 -	24	120 (26%)
\$ 5 -	9	45 (10%)
under \$5 -	52	(11%)
	<u>463</u>	

over \$150 -	23	(51%)
\$100 -	149	5 (11%)
\$ 75 -	99	10 (22%)
\$ 50 -	74	7 (16%)
	<u>45</u>	

This analysis of amounts owed by discontinued customers indicates that seventy-two percent (72%) of the non-electric-heating customers owed less than fifty dollars (\$50), and that thirty eight percent (38%) of the electric-heating customers owed less than (\$100). A majority of these past due accounts therefore, are approximately one-third (1/3) less than the requested deposit amounts.

7. 807 KAR 50:015, Section 7, provides for a deposit "... of an amount not to exceed two-twelfths (2/12) of the estimated annual bill of such customer or applicant, where bills are rendered monthly... ." Fleming-Mason has failed to demonstrate that two-twelfths (2/12) of a customer's estimated annual bill is insufficient to guarantee payment of bills. Further it has failed to show good cause for the establishment of a set deposit amount in lieu of determining the deposit based upon "... the estimated annual bill of such customer... ."

IT IS THEREFORE ORDERED that the request of Fleming-Mason Rural Electric Cooperative Corporation to deviate from 807 KAR 50:015, Section 7, by requiring three-twelfths (3/12) of the estimated annual bills based on the average annual usage of multiple customers, and to set a flat deposit rate for all customers be and is hereby denied.

IT IS FURTHER ORDERED that any deposits previously charged, which are contrary to this Order, be adjusted to comply with this Order.

Done at Frankfort, Kentucky, this 2nd day of June, 1980.

ENERGY REGULATORY COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary