COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC., INTER-COUNTY ENERGY COOPERATIVE CORPORATION, NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND SALT RIVER ELECTRIC COOPERATIVE CORPORATION, FOR AUTHORITY TO IMPLEMENT A FIXED BILL PILOT PROGRAM	)	CASE NO. 2004-00330

COMMISSION STAFF'S INITIAL DATA REQUEST TO
EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION

East Kentucky Power Cooperative, Inc. ("East Kentucky"), Inter-County Energy Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, and Salt River Electric Cooperative Corporation (collectively "the Joint Applicants") are requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due by September 24, 2004. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Describe the factors that have caused the Joint Applicants to pursue a fixed bill pilot program. The description should include a discussion of the interest expressed in fixed billing programs by retail customers, such as survey responses or specific requests from individual customers.

2. Explain whether uncertainty about customers' usage levels under the proposed flat rate tariffs will affect East Kentucky's capacity reserve requirements.

3. Describe in detail the process of returning a flat bill customer back to the standard tariff due to noncompliance with the tariff agreement or by customer request. When a customer is charged the difference between the standard tariff and the fixed bill amount, explain how this amount is calculated, including whether it is only for the three consecutive months of overuse or for the rest of the year until the renewal date.

4. If an unforeseen event, such as an increase in the size of a customer's household, causes the customer to use more electricity than expected at the time flat bill service started, is there any opportunity for the customer to be switched back to the standard tariff without penalty? Is there any opportunity to have the fixed amount adjusted to recognize the increase in usage? Explain the response.

5. Refer to Exhibit 1 of the Application, the Board resolutions. These are not consistent concerning who will pay the estimated $265,000 cost of the pilot program.

a. Indicate who will be paying the cost of the pilot program.

b. Describe how the cost will be recorded in the appropriate utilities' records.

c. Provide a detailed breakdown of the estimated cost.

6. Refer to page 3 of the testimony of William A. Bosta ("Bosta Testimony"). Mr. Bosta states, "EKPC and its member systems will evaluate results of the pilot after the first eighteen months." Based on the findings, EKPC and its member systems will elect whether to request approval of the fixed bill program on a permanent basis."

a. What criteria will the Joint Applicants use in evaluating the results of the pilot fixed bill program after the first 18 months?

b. If the Joint Applicants have not yet developed criteria upon which their evaluation will be based, explain why.

7. Refer to page 4 of the Bosta Testimony. It is stated that, unlike a budget billing plan, a fixed bill program has no true-up of revenues at the end of the period.

a. With no true-up it appears that customers will be expected to accept the risks of emergency curtailment or unplanned outages. Describe how, if at all, flat bill customers will be compensated under these circumstances.

b. In the event revenues from a fixed bill participant are less than what should have been realized from the customer's usage, who bears the loss of revenues?

c. Would any of the Joint Applicants intend to recover revenue losses from the fixed bill program in a subsequent rate case? Explain the response.

8. Refer to page 7 of the Bosta Testimony.

a. Explain in detail why the Joint Applicants believe that 12 consecutive months of billing history is sufficient to support an accurate forecast of future consumption.

b. Did the Joint Applicants consider using a longer period of billing history? Explain the response.

c. Would the Joint Applicants be opposed to using a longer period of billing history, such as 24 consecutive months? Explain the response.

9. Refer to pages 8-9 of the Bosta Testimony which indicate that customers who exceed their expected usage by more than 30 percent for 3 consecutive months will be subject to removal from the program. Explain how 30 percent was chosen as the limit on excess usage and how 3 months was chosen as the time period for the usage.

10. Refer to page 9 of the Bosta Testimony. Mr. Bosta states that, "In the case of the FAC and any surcharges, EKPC will estimate these charges for the first year of the pilot prior to the fixed bill offers to pilot participants."

a. Explain how East Kentucky will develop these estimates.

b. East Kentucky has filed a notice of intent to file an application for an environmental surcharge on or about September 15, 2004. Pursuant to KRS 278.183, if such an application is filed on September 15, 2004, the Commission's decision thereon must be issued by March 15, 2005, approximately 3.5 months after East Kentucky indicates it would like to begin the fixed bill pilot program. Assume for purposes of the following questions that the fixed bill pilot is authorized to begin December 1, 2004 and that an environmental surcharge is approved for East Kentucky in March 2005.

(1) Does East Kentucky agree that it will not be able to include an environmental surcharge component in the fixed bill offers to the pilot participants when the fixed bill pilot begins in December 2004?

(2) Will the Joint Applicants plan to recover an environmental surcharge from the 1,050 participants at any time during the first year of the fixed bill pilot program? If yes, explain how this will be done.

11. Refer to page 3 of the testimony of James C. Lamb ("Lamb Testimony"). Describe any analysis performed by the Joint Applicants to assure themselves that a pilot of approximately 1,000 customers is a large enough sample to be statistically valid.

12. Refer to page 4 of the Lamb Testimony where Mr. Lamb states "The implied response rate of 7% is a typical assumption, based on our inquiries at utilities that have offered fixed billing pilot programs previously." Provide a list of the utilities to which East Kentucky made these inquiries, including the names and phone numbers or e-mail addresses of the individuals contacted at each utility.

13. Refer to the testimony of Michael T. O'Sheasy ("O'Sheasy Testimony"), pages 2-4. Provide a schedule of the increase in usage under the fixed bill programs of Georgia Power Company, Duke Power Company, and Progress Energy. The increases in usage should be shown for peak, shoulder, and off-peak periods. This schedule should cover both the pilot programs and permanent program periods.

14. Refer to page 5 of the O'Sheasy Testimony. Identify and describe the reasons why the expected change in usage for second-year fixed bill customers is less than the change expected for first-year customers.

15. Refer to page 6 of the O'Sheasy Testimony. Explain how the 1.6 percent and 2.1 percent risk factors were determined. Include all assumptions, workpapers, and calculations used to determine each risk factor.

16. Refer to pages 8-9 of the O'Sheasy Testimony which indicate that Gulf Power Company can peak in the summer or winter. Provide the peaking characteristics of Georgia Power Company, Duke Power Company, and Progress Energy.

17. Refer to Exhibit MTO-2 of the O'Sheasy Testimony.

a. For each utility, indicate whether it is an investor-owned company, a municipal utility, or a member-owned cooperative.

b. How many fixed bill programs, of which Mr. O'Sheasy is aware, are pending before other state regulatory commissions?

c. If the Commission approves this application, would this be the first fixed bill program in the United States involving member-owned cooperatives? Explain the response.

d. Provide the fixed bill tariffs of all of the utilities listed in the exhibit and the commission orders approving the tariffs.

18. Refer to page 2 of 4 of Exhibit MTO-4, regarding the analysis of the impact on kWh consumption of Gulf Power Company's fixed bill program. The last sentence on the page states "There was an increase in consumption accounted for by the customers being on the *FlatBill*® rate." Provide the summary results of any analysis that supports this statement.

Robert A. Amato for
Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED: September 14, 2004

cc: All Parties