COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION FOR APPROVAL OF A PREPAY METERING PILOT PROGRAM TARIFF	) CASE NO.) 2011-00141)

ORDER

On April 22, 2011, Nolin Rural Electric Cooperative Corporation ("Nolin") filed an application seeking approval of a voluntary Prepay Metering Pilot Program tariff.[1] The purpose of the proposed tariff is to establish a pilot program for a voluntary prepaid electric service program ("Prepay Program") for all of Nolin's Rate Schedule I accounts,[2] excluding accounts on its Levelized Billing (budget billing) program, three phase accounts, and accounts with 400 or greater amp service. Nolin has requested that the Commission approve its Prepay Program as a pilot for three years and Nolin intends to limit the program to 300 participants. For this tariff only, Nolin is also requesting deviations from 807 KAR 5:006, Section 13, specifically, the portion which addresses budget plans and partial payment plans for customers with medical certificates or certificates of need; 807 KAR 5:006, Section 14, specifically, the portion which addresses conditions for termination of service for customers with medical certificates or

[1] Nolin did not file a proposed tariff in its application but, on May 12, 2011, filed a proposed tariff in its response to Item 6, Exhibit G, of Commission Staff's Initial Information Request ("Staff's Initial Request"). There was no effective date on the proposed tariff; therefore, the tariff was not suspended.

[2] Rate Schedule I includes residential, farm, trailer, mobile homes, schools, churches, community hall and non-profit community welfare institution customers where the installed transformer capacity is 50 kVa or less.

certificates of need; and 807 KAR 5:006, Section 15, which addresses Winter Hardship Reconnection. Nolin requested expedited treatment and a final order by June 15, 2011 to secure Department for Energy Development and Independence ("DEDI") grant monies.[3] Due to Nolin's request for expedited treatment, one data request was issued and two informal conferences were held to investigate the reasonableness of the terms, conditions and charges contained in the proposed tariff. There were no intervenors in the case. The matter now stands submitted for a decision.

THE PROPOSED PROGRAM

Customers, new and current, voluntarily choosing to enroll in the Prepay Program will complete an Agreement for Participation in Prepay Program ("Agreement for Participation").[4] Customers receiving service under this tariff will be required to enter into a contract for a minimum of one year. If customers decide to discontinue before the one-year term expires—for any reason other than a requested disconnect—they will be required to pay a $100 breach-of-contract fee and will have to meet the requirements of a non-prepaid customer for continued service. Under the terms and conditions of the Prepay Program, customers will not have to pay a deposit, late charges, or disconnect or reconnect charges. Current members who have paid deposits to the utility will be allowed to roll those funds over to the Prepay Program. Customers with outstanding indebtedness can choose to enroll in the Prepay Program as well. If a customer has an

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[3] In April, 2010, Nolin was awarded a grant of $85,000 from DEDI to be used to assist in funding its Prepay Program. Nolin was notified by DEDI on April 28, 2011 that it must have a Commission-approved prepay tariff in place by July 1, 2011 or it will lose the DEDI grant monies.

[4] Nolin provided a copy of the Agreement for Participation in its Application. It submitted a revised Agreement for Participation in its May 12, 2011 response to Item 6 of Staff's Initial Request for Information.

outstanding balance on another account, that outstanding balance could be transferred to the prepay account. For a customer choosing the Prepay Program, Nolin will apply their deposit to the outstanding balance; and any additional funds added will be allocated by applying 50 percent of the additional payments to the customer's previous balance and 50 percent to future usage. Customers can add additional funds at any time in person, over the internet, and by phone. No transaction fee will be assessed when funds are added.

Nolin's Prepay Program will not utilize in-home displays. Once enrolled in the Prepay Program, customers can access their accounts on the internet to monitor daily usage, average daily energy charge, usage during the past 24 hours, current and previous month's usage, and current remaining balances on their accounts. Customers can also obtain their usage and account information by telephone or office visits during regular business hours. At the time of application, customers can choose how to be alerted when they need to add funds. Nolin's prepay software can alert customers via phone, internet, or text on the fourth day before the customer's prepay amount will expire, based on average daily consumption. The alerts can be set to continue once every 24 hours until an amount is applied toward the account or until service is disconnected. The member must acknowledge the notice or it will continue until service is disconnected. Non-energy charges such as customer charges will be prorated daily. Nolin is proposing a daily charge of $0.17 (or $5.10 per month) to participate in the Prepay Program. The charge will cover the cost of necessary metering equipment and computer software.

For the Prepay Program, Nolin is requesting a deviation from 807 KAR 5:006, Section 14 (1) (f), which requires a written notice of service termination for non-payment. Nolin believes that the prepaid nature of the program and the four-day advance alert should provide sufficient notice. Jackson Energy Cooperative ("Jackson Energy") was granted a deviation from the regulation in its Prepay Program in Case No. 2010-00210.[5] Nolin has also requested deviations from 807 KAR 5:006, Section 13 (2) (a) and (b), which provide for partial payment plans, budget payment plans, and partial payment plans for members with medical certificates or certificates of need; 807 KAR 5:006, Section 14 (2) (c), which addresses medical certificates; 807 KAR 5:006, Section 14 (3), which relates to Certificates of Need; and 807 KAR 5:006, Section 15, regarding Winter Hardship Reconnection.

DISCUSSION

Nolin currently has a Landis and Gyr Automated Meter Reading ("AMR") system. Implementation of the Prepay Program would augment the use of Nolin's existing AMR technology by providing remote disconnections and reconnections. The Commission recognizes the benefits of AMR and agrees that increased utilization of Nolin's distribution system should benefit both Nolin and its customers.

Nolin believes the benefit of the program for customers will occur because the Prepay Program will allow customers additional payment flexibility as they will not be required to pay a customer deposit, late fees, and reconnect and disconnect fees. The Commission agrees that additional payment flexibility for customers is beneficial in the

[5] Case No. 2010-00210, Tariff Filling of Jackson Energy Cooperative to Establish Prepaid Electric Service (Ky. PSC Nov. 30, 2010).

current economic environment and it supports Nolin's willingness to offer customers an additional payment option and the opportunity to determine how that choice will fit their lifestyles. However, the Commission does not agree that if the member determines in less than a year that the Prepay Program does not fit their situation that the member should be charged a breach-of-contract termination fee. Similar to Jackson Energy's Prepaid Program, the Commission believes that allowing the customer to withdraw at any time from Nolin's Prepay Program without penalty will be important to the success of the program. Additionally, for members that may have an outstanding balance when enrolling in the Prepay Program, the Commission believes that, for consistency, Nolin's 50/50 payment allocation should be changed to a 70/30 allocation, with 70 percent of the amount paid going to future electric usage and 30 percent of the amount paid applied to any outstanding balances.[6]

While the Commission agrees that customers with outstanding balances should be permitted to enroll in the Prepay Program, Nolin has not justified the provision in Section 14 of the proposed tariff allowing for the transfer of an outstanding balance from another account and the immediate disconnection if there are insufficient funds in the prepay account to cover the transferred balance. Accordingly, Nolin should modify Section 14 of its proposed tariff to delete the language that would allow the transferring of outstanding balances on another account to be debited to the prepay account. If Nolin has additional support for this provision it can request rehearing pursuant to KRS 278.400.

[6] These are the same percentages the Commission approved in Case No. 2010-00210 for Jackson Energy.

Nolin believes that, as energy usage information is revealed to its members, that information becomes extremely valuable to individual members in developing their own conservation measures. The Commission supports demand-side management programs and believes the Prepay Program has the potential to provide individual customers with savings. However, to realize the full impact of the information that will be available to the member, the Commission understands that, in Nolin's case, the best resource to access that information will be via the internet at the customer's on-line account. Therefore, the Commission will require Nolin to modify its Agreement for Participation to add language requiring that customers verify that they have access to the internet as a condition of participation in the program.

Additionally, the Commission is very interested in knowing the customer impacts of the pilot program. Therefore, we will require Nolin to gather and maintain certain information on the actual operating results of the Prepay Program. This information, identified in the Appendix to this Order, should be submitted to the Commission as a supplement to Nolin's Annual Report.

As previously discussed, Nolin seeks a deviation from 807 KAR 5:006, Section 14 (1) (f). The Commission concurs with Nolin's position that the prepaid nature of the Prepay Program, together with the four-day advance alerts, should provide customers adequate notice of a pending disconnection. Nolin also seeks deviations from 807 KAR 5:006, Sections 13 (2) (a) and (b); 807 KAR 5:006, Section 14 (2) (c); 807: KAR 5:006, Section 14 (3); and 807 KAR 5:006, Section 15. The Commission finds that these additional deviations are not necessary nor, in the case of 807 KAR 5:006, Section 14

(3), Certificate of Need, and 807 KAR 5:006, Section 15, Winter Hardship Reconnection, appropriate.

Deviations from 807 KAR 5:006, Sections 13 (2) (a) and (b), are not warranted because Nolin's proposed tariff has language that precludes members from participating in the program if they participate in the Levelized Budget Billing program while, for customers with outstanding balances, the application of their deposits to those balances and the requirement that new funds be applied to both future usage and past usage will obviate partial payment plans. Accordingly, no deviation is necessary.

The language in Nolin's proposed Agreement for Participation states that any member who has a medical certificate on file cannot participate in the Prepay Program and, if circumstances change such that an eligible customer later becomes a "medical certificate" customer, the customer must revert to a post-pay account with no breach-of-contract fee. As Nolin has provided adequately for the issue of Medical Certificates, no deviation is necessary.

For its other deviation requests, it is Nolin's contention that the nature of the Prepay Program precludes allowing members' accommodation for Certificate of Need and Winter Hardship Reconnections because a member could go in arrears under the terms of these regulations. The Commission, to date, has not allowed deviations from these regulations, which were developed to protect customers from service termination, and does not believe that any deviation is warranted in this instance. The Commission believes that Nolin should modify its Agreement of Participation to allow that if a customer presents a Certificate of Need or Winter Hardship Reconnection that the customer will be required to revert to a post-pay account.

FINDINGS AND ORDERS

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

1. Nolin's proposed Pilot Program for Prepay Metering tariff should be approved for a period of three years beginning on the date of this order, subject to the following modifications:

a. The addition of language to verify that the customer has access to the internet as a condition of participation in the Prepay Program.

b. Modification of the language in Section 8 to state that 30 percent of any future payments made on the account shall be applied first to the past due balance until the balance is paid in full; and the remaining 70 percent of the payment will be applied to the daily usage on the account.

c. Modification of the language in Section 18 to include language that indicates that a customer participating in the Prepay Program who later presents a Certificate of Need or who later becomes eligible for Winter Hardship Reconnection shall be required to revert to a post-pay account under all the terms, conditions, and regulations applicable to post-pay accounts.

2. Nolin's request for deviation from the requirements of 807 KAR 5:006, Section 13 (5), and 807 KAR 5:006, Section 14 (1) (f), which requires written notice of service termination for non-payment, should be approved for the Pilot Program for Prepay Metering tariff.

3. Nolin's request for deviation from the requirements 807 KAR 5:006, Section 13 (2) (a) and (b); 807 KAR 5:006, Section 14 (2) (c); 807 KAR 5:006, Section 14 (3); and 807 KAR 5:006, Section 15, should be denied.

4. Nolin's request to charge a breach-of-contract termination fee of $100 should be denied.

5. Nolin should modify its Agreement for Participation as follows:

a. Add language to verify that the customer has access to the internet to participate in the Prepay Program.

b. Modify the wording of the last sentence in Section 13 to state: "However, the prepay account will not be disconnected if the amount of the voucher is sufficient to pay for the entire amount of any arrearage owed by the customer."

c. Modify Section 14 to include language to allow that if a customer presents a Certificate of Need or Winter Hardship Reconnection that the customer will be required to revert to a post-pay account under all the terms, conditions and regulations applicable to post-pay accounts.

d. Modify Section 15 to state that 30 percent of any future payments made on the account will be applied to the past-due balance until the balance is paid in full.

e. Delete language in paragraph 17 which requires the member to pay a $100 breach of contract fee if the member elects to leave the program before one year.

6. Nolin should track data and maintain records that, at a minimum, include the type of information identified in the Appendix to this Order. Additionally, Nolin

should provide the information in a report filed along with its annual report to the Commission.

IT IS THEREFORE ORDERED that:

1. Nolin's proposed Pilot Program for Prepay Metering tariff as modified by the changes set forth in Finding Number one is approved for a period of three years beginning on the date of this Order.

2. Nolin's request for deviation from the requirements of 807 KAR 5:006, Section 13 (5), and 807 KAR 5:006, Section 14 (1) (f), is approved for the Pilot Program for Prepay Metering tariff.

3. Nolin's request for deviation from the requirements of 807 KAR 5:006, Section 13 (2) (a) and (b); 807 KAR 5:006, Section 14 (2) (c); 807 KAR 5:006, Section 14 (3); and 807 KAR 5:006, Section 15, is denied.

4. Nolin's request to charge a breach-of-contract termination fee of $100 is denied.

5. Nolin's Agreement for Participation in the Prepay Program, as modified by the changes set forth in Finding Number five above is approved.

6. Nolin shall track data and maintain records that, at a minimum, include the type of information identified in the Appendix to this Order. Throughout the duration of the pilot project period, Nolin shall submit the information in a supplemental report filed at the time it files its Annual Report to the Commission.

7. Within 10 days of the date of this Order, Nolin shall file its Pilot Program for Prepay Metering tariff showing the date issued and that it was issued by authority of this Order.

8. Nolin shall file a request, which indicates its intention for the pilot Prepay Program beyond the initial three-year term, no later than six months prior to the end of the three-year pilot period.

9. Any documents filed in the future pursuant to ordering paragraph 6 herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED
JUN 20 2011
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00141 DATED JUN 20 2011

The information and data to be maintained by Nolin, shall, at a 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 billing or payment problem.

3. The number of participants, by month, who permitted their purchased energy to run down to zero, causing their service to shut off.

4. The number of participants who permitted their purchased energy to run down to zero 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. August 2011 with August 2010, September 2011 with September 2010, etc.).

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