

CASE NO. 2017-00161

VERIFICATION

I verify, state and affirm that the data request responses filed with this verification and for which I am listed as a witness are true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.

Steve Thompson

Steve Thompson, Vice President - Finance

STATE OF KENTUCKY

COUNTY OF: DAVIESS

The foregoing was signed, acknowledged and sworn to before me by Steve Thompson, this 31st day of May, 2017.

My commission expires

April 24, 2018

Tammy Montgomery #508735
Notary Public, KY. State at Large



**KENERGY CORP.
RESPONSE TO THE COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION
2017-00161 PREPAID METERING TARIFF**

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Item 1) Refer to the Application, Exhibit A, the Testimony of Steve Thompson("Thompson Testimony"), page 2, line 14. Kenergy states that payment can be made by most methods used by post-pay members. Provide all methods of payment accepted by Kenergy and note those accepted by prepay.

Response) There are eight ways for a post-pay member to pay their bill:

1. Smart Phone App.- (www.smarthubapp.com)
2. Online – Visit kenergycorp.com or <https://kenergycorp.smarthub.coop>
3. Automatic Bank Draft – The payment is drafted from the checking account on the due date.
4. Recurring Credit Card - The payment is charged to the credit card on the due date.
5. Mail -
6. Drop box – Use drop box located nearest you.
7. Person – Payment can be made in person at the various offices with cash, check, debit or credit card.
8. Phone – To pay by phone with an e-check, debit or credit card call 1-844-255-3679.

All of the payment options are available to prepay members except for Automatic Bank Draft and Recurring Credit Card of the member debit accounts receivable balance. Under Prepaid, the member balance is always a credit.

Witness) Steve Thompson

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Item 2) Refer to the Thompson Testimony, page 2, line 20. Provide the established threshold at which an automated message will be sent and explain why this threshold was chosen.

Response) The established threshold will be customized for the member and will normally equate to approximately 4-5 days estimated kWh usage at current rates.

Witness) Steve Thompson

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Item 3) Refer to the Application, Exhibit A, Attachment A.

- a. Explain why the estimated total percentage of members participating in prepay was calculated as 3 percent of Kenergy's current residential customers.

Response) The data provided by 14 of the Kentucky Distribution coops on the 2015 PSC annual reports were compiled with the results being:

Total prepaid accounts – 12,330/Total residential accounts 423,157 to arrive at a 2.9% participation rate rounded up to 3%.

Witness) Steve Thompson

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Item 3) Refer to the Application, Exhibit A, Attachment A.

b. Given that single-phase commercial customers are allowed to participate in the prepay program, explain why no customers from this class were included in the estimate of members participating in the prepay program.

Response) Without any prior history to base an estimate on, Kenergy decided to take the conservative approach and assume zero participants from the commercial class. Also, 3% of the 9,639 commercial members would equate to 289 additional participants, which would change the total monthly expense/savings to .54 per member per month from .05. Therefore, Kenergy would still recommend no fee be charged for the prepay program.

Witness) Steve Thompson

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Item 4) Refer to the Thompson Testimony, page 3, Table A.

- a. Confirm that the remote switch is not currently included in the Kenergy's AMI meter and must be purchased and installed separately.

Response) Not confirmed. The switch is included in the meter purchased.

Witness) Steve Thompson

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Item 4) Refer to the Thompson Testimony, page 3, Table A.

b. Explain why Kenergy has purchased and capitalized 6,630 switches when it estimates only 1,384 participants.

Response) As noted in the response to item 3a, Kenergy did not purchase any switches separate. Kenergy purchased 6,630 meters with the switch included, and selectively installed these at locations most likely to be used for remote disconnects/reconnects.

Witness) Steve Thompson

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Item 5) Refer to the Thompson Testimony, page 3, Table B and Attachment E.

a. Explain why Kenergy believes 35 percent is a conservative estimate.

Response) Based on discussions with other Kentucky cooperatives and a review of the 2015 PSC Annual reports account 904 uncollectible accounts expense, an average decrease of 43% was observed since implementation of Prepaid Metering.

Witness) Steve Thompson

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Item 5) Refer to the Thompson Testimony, page 3, Table B and Attachment E.

b. Provide the data Kenergy collected regarding the bad debt reduction.

Response) Coop 1 -49%
Coop 2 -57%
Coop 3 -0%
Coop 4 -28%
Coop 5 -64%
Coop 6 -63%
Average – 43%

Witness) Steve Thompson

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Item 5) Refer to the Thompson Testimony, page 3, Table B and Attachment E.

c. A reduction in bad-debt expenses has not been a component in other prepay program cost justifications. Explain why Kenergy believes it is appropriate to use here.

Response) Kenergy views the Prepaid Metering option as another payment option for its members. A separate fee is not charged for the other payment options. Some members choose to pay by credit card, some like to pay in person at one of the offices. Each of the payments options have different costs involved. Kenergy performed the cost analysis to insure the overall net impact on expenses was not out of line with the other payment options, and would have a minimal impact on rates. Kenergy has found four examples of out-of-state cooperatives who do not charge a monthly fee for its prepaid program. The four cooperatives are located in Texas, Virginia, North Carolina and Mississippi. Kenergy is reluctant to provide the names of the cooperatives without notifying them even though the information is available on their websites. These Cooperatives were chosen due to their very high ACSI member satisfaction scores.

Witness) Steve Thompson

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Item 6) Refer to the Thompson Testimony, pages 3-4, Table C. Explain why Kenergy estimates that 30% of enrolled prepay members will pay in person.

Response) The 30% estimate was made from a review of the number of members paying in person currently.

Witness) Steve Thompson

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- Item 7)** Refer to the application, Exhibit B.
- a. Refer to page 1 of 5, Item 4 of Terms and Conditions. Explain whether texting services is mandatory to participate. If it is, explain why a member cannot participate and receive notification through e-mail.

Response) Texting is not mandatory.

Witness) Steve Thompson

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Item 7) Refer to the application, Exhibit B.

b. Refer to page 2 of 5, Item 8. Explain whether single-phase commercial customers are subject to a minimum purchase of \$25 or a higher minimum purchase.

Response) Kenergy will customize the minimum purchase on commercial accounts based on Historical usage patterns.

Witness) Steve Thompson

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Item 8) Refer to the Application, Exhibit C. The member agreement does not have the prepay balance threshold that triggers an automated message. Provide the amount and Explain how the member will be made aware of this amount.

Response) See response to item 2. The customized threshold amount will be placed in each member's agreement.

Witness) Steve Thompson

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Item 8) Refer to the Application, Exhibit C.

a. Explain whether the lost energy revenues, lost connection and reconnection revenues, and lost late-fee revenue should be included in the monthly prepay expense calculation.

Response) Kenergy does not charge a special fee to members who participate in energy efficiency programs, or to members who reduce their usage by other means. Therefore, Kenergy does not feel it is appropriate to charge prepaid members an additional amount based on estimated lost energy revenues.

Since disconnect/reconnect for prepaid members will be processed automatically, there will be no staff time involved and no transportation cost. By definition, these special fees are designed to offset the additional cost incurred to disconnect/reconnect members. So, the lost revenue for these fees should only be included if the reduction in cost, by the same amount, is also included which will net to zero.

The late fee is designed to cover the cost of staff time and the additional cash working capital required when members do not remit payment on time. Prepaid members will not only be paying on time, they will actually be paying ahead of time, thereby reducing Kenergy's cash working capital needs. Similar to the disconnect/reconnect fees, the lost late fee revenue will be offset by reduced costs.

Witness) Steve Thompson

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Item 8) Refer to the Application, Exhibit C.

b. If Kenergy agrees that the items in Item 8. a. should be included in the monthly prepay expense, provide an update of Table A, B, and C of the Application.

Response) Kenergy does not agree.

Witness) Steve Thompson

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Item 8) Refer to the Application, Exhibit C.

c. If Kenergy does not agree that the above-mentioned items should be included in the monthly prepay expense calculation, provide an explanation why these revenues should be excluded, yet the reduction of bad-debt expense is included.

Response) See responses to items 5 and 8a.

Witness) Steve Thompson

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Item 9) Explain whether it is Kenergy's intent to move new customers towards a Prepay Program, given that there is no fee associated with it and no deposit criteria.

Response) Kenergy is neutral as to which payment option the member chooses to use, whether it is an existing or new member.

Witness) Steve Thompson

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Item 10.) Explain whether Kenergy's software will permit a separate transaction fee.

Response) The standard software does not accommodate a separate transaction fee.

Witness) Steve Thompson