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May 18, 2011

PARTIES OF RECORD

RE: Nolin Rural Electric Cooperative Corporation
Case No. 2011-00141 Informal Conference

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Rick Bertelson, Staff Attorney, at 502-564-3940, Extension 260.

Sincerely,



Jeff Derouen
Executive Director

RB/kar
Attachment

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: File: Case No. 2011-00141

FROM: Rick Bertelson, Staff Attorney

DATE: May 18, 2011

RE: Application of Nolin Rural Electric Cooperative Corporation for Approval of a Prepay Metering Pilot Program Tariff.

Pursuant to the May 9, 2011 Commission Staff notice in this matter, Nolin Rural Electric Cooperative Corporation ("Nolin") attended an informal conference ("IC") at the Commission's offices on May 16, 2011. A list of the attendees is attached hereto. The purpose of the IC was to discuss Nolin's application for approval of a prepay metering pilot program ("prepay pilot program") and its responses to Commission Staff's First Data Request.

Commission Staff asked a number of clarifying questions regarding Nolin's responses to the first data request, most of which Nolin's representatives were able to answer during the IC. Nolin's representatives agreed to file follow-up responses to any questions they were unable to answer at the IC. Specifically, Nolin's representatives agreed to file responses to the following data requests:

1. Nolin will provide statistics regarding online account usage and online bill payment by its member customers.¹
2. Regarding Nolin's response to Item 4e of the first data request in which it states that, "[t]o date, \$4,500 has been requested from the grant for labor ...," and "Nolin has ordered 300 meters for the project ...," Nolin will provide an explanation of what items of labor were funded by the \$4,500 and will also provide an invoice for the 300 meters.
3. Regarding Nolin's response to Item 5g of the first data request in which it states that, "[t]o the extent that 807KAR 5:006, Sections 13 and 15 apply to the Prepay Metering Pilot Program, Nolin is also requesting a deviation from those provisions as well. By oversight, Nolin had failed to make this request in its Application," Nolin will state each of the specific provisions of 807 KAR 5:006, Sections 13, 14, and 15 from

¹ Following the IC, Commission Staff determined that it would also be helpful for Nolin to provide a description of the information that its prepay customers using its online account information will be able to see (i.e., current usage, previous day, previous week, average usage, etc.). Commission Staff requests that Nolin provide that information along with its responses to the other listed data requests.

which it is seeking deviation and an explanation of why the Commission should grant Nolin a deviation from each of those provisions.

4. Exhibit G to Nolin's response to Item 6 of the first data request is a proposed tariff for its prepaid metering program.

a. Section 5 of the proposed tariff (page 4 of 5 of Exhibit G), provides that:

If a member elects to enroll an account in prepay and has a deposit on the account, the deposit will be applied to the account before the account changes to prepay. Any credit remaining on the account will be applied to the prepay account. However, if the member has another account(s) which does not have a satisfactory credit history, the remaining credit will be transferred as a deposit to the unsecured account(s). The deposit will only be refunded by applying it to the member's account(s) as described.

Commission Staff stated that the language of Section 5 does not describe with sufficient specificity how the balance of an existing customer account will be applied. Nolin will provide a revised version of the proposed tariff that clarifies how a customer's deposit balance will be applied under the circumstances described in Section 5 of the proposed tariff.

b. Section 14 of the proposed tariff (page 4 of 5 of Exhibit G), provides, in pertinent part that, "[i]n addition if an outstanding balance is transferred from another account, the amount of the transfer will be debited to the prepay account and the account will be disconnected immediately unless there are funds on the account to cover the returned/transferred item." Nolin will explain the circumstances under which section 14 of the proposed tariff would apply.

Nolin's Responses to Commission Staff's Questions Provided at the IC

Nolin stated that if a prepay customer determines to leave the prepay pilot program and return to post-pay billing before the expiration of the 1-year term of the program agreement, the prepay meter will be removed from the customer's residence. The prepay meter will be put back in service with a new prepay participant during the pilot phase and if Nolin determines to continue the prepay program after the pilot phase. Nolin stated that if it determines not to continue the prepay pilot program after the expiration of the pilot term, it will be able to use the prepay meters in other parts of their system. Specifically, Nolin noted that the meters are remote connect/disconnect enabled, which will allow them to be used with customers who have had multiple shut-offs due to non-payment. Nolin also noted that the prepay meters are able to work with time-of-use rates.

Commission Staff noted that Nolin has not requested a specific expiration date for the prepay program or any specific period within which the prepay program will be authorized by the Commission. Commission Staff requests that Nolin provide a proposed expiration date for the prepay program or the period of time it is requesting the Commission authorize its prepay pilot program to be active along with its responses to the other listed data requests herein.

Nolin explained that it will not be issuing monthly statements to its prepay customers, because the information provided in a monthly bill won't be very useful to those customers and won't provide information different from that which they will be able to see when they go online. Nolin said that the prepay customers will be able to obtain usage history if needed.

Unlike Jackson Energy Cooperative's prepay program, which was approved by the Commission in Case No. 2010-00210, Nolin's prepay pilot program will not utilize in-home displays to provide usage information to its participating customers. Rather, in order to obtain usage information (or to put more funds into his account), a customer in Nolin's prepay program can go to his online account, or he can call or go to the cooperative's offices and utilize Nolin's customer service during regular business hours. A customer will have the ability to add funds to his account via telephone 24 hours/seven days a week if the customer utilizes a credit card.

Nolin stated that there are 54 utilities across the country that have prepay meter programs using the same type of Landis+Gyr software that Nolin is using, and none of those utilities are using an in-home display. According to Nolin, it has been Landis+Gyr's experience that only the most technical savvy customers truly use and like the in-home displays, and, as it turns out, those customers would rather go online to see the information that the in-home display provides, because the online tools can provide more useful information and statistics than the in-home display can.²

Commission Staff expressed some concern with not having in-home displays, because some customers will not be able to readily relate their usage to the amount of money in their accounts. Nolin agreed that might be the case with some customers but stated that they intend to explain very carefully to each participant how the program works and the need to monitor usage through one of the available methods. Nolin anticipates that the customers who will be most interested in the prepay pilot program will be those who don't care to pay a deposit, which is currently around \$400.

Nolin also explained that customers should receive notice when their accounts are getting low. The system will automatically call, email, or text a prepay customer when, based on the customer's average usage, he has less than 4 days of usage credit left on his account. The customer will be able to control how they are contacted. The

² There is a third-party in-home display that will work with Nolin's Landis+Gyr system, but it does not display all the information that the online version can.

call system will note when the customer answers but hangs up before the message is delivered. The phone messaging system and email system will also be able to be adapted to send reverse 911 calls to all of their members in emergency situations or other system-wide messages, such as a reminder of Nolin's annual member meeting.

Nolin also said that they will explain to the participants the demand-side management (DSM) programs it has available to help them stretch their energy budgets.

In regard to Nolin's response to Item 5a of the data request, Commission Staff asked whether the cost of the software had increased from \$10,000, as reflected in the grant application, to \$20,000 as now reflected in its response. Nolin said that the cost had increased in the interim between applying for the grant in April 2010 and now. Nolin stated that the software will allow the meters to communicate with its customer information system (billing system). According to Nolin, the \$4,775 amount reflected in the "proposal/order" form (response to Item 5, Exhibit F, page 3 of 3) as the "One-Time Pricing Total," plus the One-Time fees of \$15,500 reflected in the Letter of Acknowledgement of Implementation from National Information Solutions Cooperative ("NISC Agreement") (response to Item 5, Exhibit F, page 1 of 3)³ is how the \$20,000 total for "Software for program" in Nolin's response to Item 5a is derived.

Commission Staff asked whether the cost of the software will go up as more customers participate in the program. Nolin stated that the software costs remain the same regardless of how many customers participate, but there is a monthly service charge that will increase with the number of participants.

Commission Staff asked why the program budget documents provided by Nolin in response to Item 4 of the first data request indicate a cost for in-home displays. See Exhibit C, page 3 of 3. Nolin explained that when its prior consultant submitted the grant application for Nolin, there was apparently some confusion regarding what kind of AMI system Nolin has, and the consultant based the budget assumptions on a TWACS AMI system, as opposed to Landis+Gyr. Nolin discovered the problem with the application when they met with the Department of Energy Development and Independence (DEDI) in August 2010. However, according to Nolin, DEDI said that it would not affect their eligibility for the grant, because DEDI did not intend to tell Nolin how to implement the program. Nolin said that DEDI explained that, as long as it can provide accurate invoices for the materials they purchase to implement the prepay pilot program, the DEDI grant can pay for those materials.

³ Upon further review of the NISC Agreement, Commission Staff noted that the One-Time Fee for Prepaid Meter Member Rates amounts listed of \$3,000 and \$12,500 are minimum and maximum one-time fees. Due to this discrepancy, Commission Staff requests Nolin to provide an itemized list of software requirements for the program that supports the \$20,000 cost estimate in its response to Item 5a.

Commission Staff asked why the figures in the table on page 49 of 50 of Exhibit D, which is attached to Item 4 of Nolin's data response, do not add up correctly. Nolin explained that the table was drafted by DEDI, and that they were not previously aware that the figures do not add up. However, this error will have no effect on the \$100,000 grant amount awarded by DEDI to Nolin for its prepay pilot program.

Regarding the April 28, 2011 letter from DEDI to Nolin, which is attached as Exhibit E to Item 4 of the data response, Nolin states that the "concerns with the pre-pay tariff approved by the Public Service Commission (PSC) for Jackson Energy," are outlined in Nolin's response to Item 2c of the data request. Nolin's response to Item 2c lists 12 specific differences between its proposed program and the program approved by the Commission for Jackson Energy. Nolin stated that its main "concern" with Jackson Energy's program is that it requires the use of an in-home display, whereas, as discussed above, its prepay pilot program will not utilize such in-home displays.

Commission Staff asked whether Nolin has prepared the "updated timeline and schedule for completion" referenced in DEDI's letter. Nolin stated that it has not yet completed the timeline and schedule and does not intend to undertake that task until it is certain that it will go forward with the prepay pilot program, which it will not do unless the Commission issues an order approving the program within the time limits imposed by DEDI. Nolin will file a copy of the updated timeline and schedule if the Commission approves its application in this matter and it goes forward with the prepay pilot program.

With regard to the June 15, 2011 deadline indicated in Nolin's application, the April 28, 2011 letter from DEDI clearly indicates that it will revoke the grant if Nolin does not obtain approval from the Commission by July 1, 2011. However, Nolin believes it needs the order two weeks prior to that deadline in order to get the program up and running by July 1, 2011. Nolin noted that it has already ordered the meters, because the manufacturer has a 24-week lead time for delivery.

Commission Staff noted that in the now-defunct Louisville Gas & Electric Co. LG&E prepay metering program, it was difficult for some customers to keep current with their bills because the utility was applying part of their payments to old debt and the remainder to the new service. This is similar to Nolin's plan to apply 50% of any payment made by a prepay customer to any existing debt and 50% to new service. Nolin acknowledged that no plan is perfect but emphasized that this is a pilot program and that they are going to fully explain to the members who sign up for the program how the program functions and how their payments will be applied.

Commission Staff asked how the utility will confirm that the prepay customers understand how the program works and how to interpret the usage data and account information they will be able to access either online, by phone or at Nolin's office. Nolin stated that it will go over the Agreement for Participation in Prepay Program (Item 6, Exhibit G, page 1-2) face-to-face with customers who are signing up for the program and the customer will be required to initial the 17 terms and conditions to indicate that they understand the requirements of the prepay program. Nolin also stated that it

intends to have educational materials at its annual meeting on June 10, 2011 regarding the prepay pilot program, if possible. Nolin stated that it intends to follow the data from the customers very closely to determine if there are any problems in implementing the program in order to determine whether it will continue the prepay program after the pilot term expires.

Commission Staff pointed out that the Commission's November 30, 2010 Final Order in Case No. 2010-00210 requires Jackson Energy to track data and maintain records regarding several issues specified in the Appendix to the Order. Commission Staff asked whether Nolin would object if the Commission required it to undertake similar monitoring and recordkeeping requirements for its prepay pilot program. Nolin stated that it would not object and noted that it would already be monitoring most if not all of the same data points and issues in order to comply with its DEDI grant agreement.

Commission Staff asked what the term "requested disconnect," as stated in Nolin's response to Item 5b means. Nolin stated that the term generally refers to a member who voluntarily requests termination of service because he is moving out of his current residence. Nolin noted that its service area includes a very large military base (Fort Knox), so its customer base is a relatively transient population. This program will allow Nolin to turn the power on at a residence after a renter has left, in order for the owner to come back to the residence to do any necessary cleaning or other work requiring electric power. The owner won't be charged a \$100 fee for terminating service after the power is turned off again, because, under the terms of the prepaid pilot program, the owner will not be terminating participation in the prepaid program in order to revert to post-pay billing.

Commission Staff noted that Nolin's response to Item 5c, states that it isn't planning to charge a fee to customers to add funds to their accounts "at this time." Nolin stated that it understands that if it does decide to charge a service fee, then it will have to file an amended tariff. Commission Staff noted that Jackson Energy's prepay tariff does allow the collection of a service fee whenever a customer adds money to his account. As Nolin's response to Item 5c states that "[i]t is not justifiable to charge a prepay account for making a payment when postpay accounts are not charged for making payments," Commission Staff asked whether Nolin believes that Jackson Energy's prepay tariff service charge is "unjustified." Nolin stated that it does not believe that the Jackson Energy prepay tariff is "unjustified." Nolin simply believes it has sufficient customer service personnel to providing the service without charging a fee. Nolin will be monitoring the number of service contacts and the costs involved in order to determine whether charging a service fee is, in fact, necessary to pay the costs of the program.

Commission Staff asked Nolin to explain what the "SPU-2000" and "SPU-3000" reference in its response to Item 5e are. Nolin stated that they are both substation processor units, which are computers collecting the meter data from all of the meters on a particular substation and then communicates with the central customer information system. Currently their meters collect usage data once per day. The SPU-3000 unit is

a more advanced computer than the SPU-2000 model, and, according to Nolin, it would be necessary to install that more advanced unit if the Commission was to require Nolin to monitor customer electricity usage more often than once per day.

Finally, Commission Staff asked whether Nolin has any statistical data regarding the availability of internet service in it's service area. Nolin stated that it does not have any specific internet availability data, but it believes that it is relatively good compared to other rural electric service areas. Nolin also noted that Windstream has a \$4 million grant to extend broadband via fiber optic lines into the rural areas of Hardin County, which forms a large portion of its service area. So, there will eventually be very good access to the internet in that area.

There being no further questions, the informal conference was adjourned.

Commission Staff requests that Nolin file its responses to the data requests herein on or before Tuesday, May 24, 2011.

Attachment

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

May 16, 2011

Please sign in:

NAME	REPRESENTING
<u>Rick Beaton</u>	<u>PSC - Legal</u>
<u>Sarah Cate</u>	<u>PSC - Legal</u>
<u>GREG HARRINGTON</u>	<u>NOLIN RECC</u>
<u>Mickey Miller</u>	<u>NOLIN RECC</u>
<u>Ginny Smith</u>	<u>PSC. Consumer Services</u>
<u>Fereydoon Gorjian</u>	<u>PSC/Engineering</u>
<u>Vicky Townes</u>	<u>PSC/FA</u>
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