

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SALT RIVER ELECTRIC)	
COOPERATIVE CORPORATION FOR)	Case No.
APPROVAL OF A PREPAY METERING)	2012-00141
PILOT PROGRAM)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO
SALT RIVER ELECTRIC COOPERATIVE CORPORATION

Salt River Electric Cooperative Corporation ("Salt River"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Salt River shall make timely amendment to any prior response if they obtain information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which Salt River fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond. Careful attention shall be given to copied material to ensure that it is legible.

1. Refer to the response to Item 1.a. of Salt River's response to Commission Staff's First Information Request ("Staff's First Request").

a. State whether the \$155.00 shown as "Additional meter and hardware cost" is the cost of an AMI meter that has remote disconnect/reconnect capability. If no, provide a detailed breakdown of the \$155.00 cost.

b. Explain what will happen to the existing meter when a current customer becomes a prepay customer (i.e., will the existing meter be retained for future use).

c. Explain what will happen to the meter if a prepay customer exits the program (i.e., will the AMI meter with disconnect/reconnect capability be removed and retained for a future prepay customer or will it be used to measure usage for a post-pay customer).

d. Provide the estimated useful lives of an AMI meter with disconnect/reconnect capability and an AMI meter without disconnect/reconnect capability.

e. State whether the estimated labor to replace the meter in the amount of \$17.18 and the meter test estimated to be \$6.00 will be performed by an outside contractor or a Salt River employee.

f. Provide a breakdown of the \$14.00 between the vehicle and overhead costs.

g. Provide the cost of a meter without the remote disconnect/reconnect capability.

2. State whether Salt River will incur any software costs to implement the prepay program. If yes, provide the costs, both one-time and annual costs.

3. State the number of customers that Salt River estimates will participate in the prepay program.

4. Attached to this request is the calculation of prepay program costs made by Nolin Rural Electric Cooperative Corporation in Case No. 2011-00141.¹ Using the same format as in the appendix, but using data and costs applicable to Salt River, provide an updated calculation of prepay program costs for Salt River.

5. Refer to Salt River's response to Item 1.e. of Staff's First Request.

a. The response states that customers can make payments in person, over the internet, and by phone. Are all of these payment methods available also for post-pay customers? If no, state which method(s) are not available to post-pay customers and the transaction fees that Salt River will incur to offer the payment method(s) to prepay customers.

b. State whether customers will be able to make payments 24 hours a day, seven days a week.

¹ Case No. 2011-00141, Application of Nolin Rural Electric Cooperative Corporation for Approval of a Prepay Metering Pilot Program Tariff (Ky. PSC June 20, 2011).

6. Refer to Salt River's response to Item 2.a. of Staff's First Request which states that customers can monitor usage via the web site, text, or e-mail. State whether a prepay program customer can also monitor usage by visiting or calling Salt River's office.

7. Refer to Salt River's response to Item 2.b.(ii) of Staff's First Request. The response states that the customer can set a minimum balance threshold for notification and that the customer would be notified via text or e-mail. State whether the notification will continue periodically until an amount is applied to the account or the account is disconnected. If yes, at what interval will the notification continue?

8. Refer to Attachment 1 to the response to Staff's First Request, the Agreement for Participation in Prepay Program ("Agreement").

a. Refer to paragraph 8 which states that, when funds remaining reach an estimated threshold of four days, an automated message will be sent to the member. The response to Item 2.b.(ii) of Staff's First Request states that customers can set a minimum balance threshold for notification. State which response is correct.

b. Refer to paragraph 19. The last sentence in this paragraph states that "[t]he member or his/her designee must push the reset button on the meter to restore electric service."

(1) Does this apply to any reconnection after a disconnection?

If no, explain.

(2) Will a prepay customer receive a demonstration on this at the time the Agreement is signed?

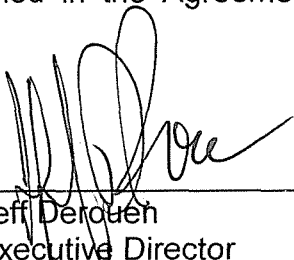
c. Explain why a listing of the various payment methods and ways in which customers can monitor usage is not included in the Agreement. Provide an updated Agreement which includes the information.

9. Confirm that the additional customer charge of \$.17 per day will cease when a customer reverts to a post-pay account.

10. Other than the collection of a customer deposit, state whether there will be a cost to the customer to switch from a prepay account to a post-pay account.

11. State whether Salt River received any grant money to implement the prepay program. If yes, provide the amount received and state the costs that will be paid with the money.

12. The Agreement contains details of the prepay program that are not included in Salt Rivers' application. Provide a revised proposed tariff for the prepay program which includes the information contained in the Agreement as well as the various payment and usage monitoring methods.



Jeff Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
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DATED JUN 08 2012

cc: Parties of Record

ATTACHMENT
CASE NO. 2012-00141

Nolin Rural Electric Cooperative Corporation
Second Information Request – Case No. 2011-00141
Public Service Commission Staff Request Dated May 6, 2011

Question 5(a-g):

5. Refer to Exhibit A of the application.

a. The Rates section states that, in addition to the customer charge, Prepay Program customers will incur an additional fee of 17 cents per day. Provide the supporting cost justification for this charge.

Answer:

The first part of this exhibit is equipment cost and this is the amount of investment that Nolin RECC will make for each participant in this program. Listed below is the investment per member and is segmented into two components: the allocated investment and the direct investment.

Equipment Costs			Per Member
1	Software for program	\$20,000	\$66.67
2	Number of participants	300	
3	Pre-pay Meter		\$300
			<hr/>
Investment per Member			\$366.67

The software cost is the allocated investment and has been allocated over the expected pilot participants of 300 members and amounts to \$66.67 per participant. The timeframe obtaining this number of participants cannot be determined at the present time, but Nolin's intent is three years. The participant or direct investment is \$300.00. The second part is an estimate of the annual costs for this program for each one of its participants.

Annual Expenses	20 Year Life
Depreciation	\$18.33
Interest - 4%	\$14.67
O&M	
Software 20%	\$13.33
Pre-pay Meter 10%	\$30.00
	<hr/>
Annual Expense	\$76.33
Monthly Expense	\$6.36
Daily Expense	\$0.21

All assumptions were taken from the Jackson Energy submitted tariff. The expected life of these investments is estimated at twenty years resulting in a five percent depreciation rate. We have set the interest rate of four percent. Operations and Maintenance (“O&M”) expenses are twenty percent for the software and ten percent for the pre-pay meters. These O&M expenses are based on the best information that Jackson Energy could gather from other utilities with similar programs. The daily rate per participant is proposed at \$0.17 which is less than the estimated cost per day.

- b. Refer to the Terms and Conditions section, paragraph 1 which states that the term of the Prepay Electric Service agreement is for one year. State whether participants can withdraw from the program at any time within the one year term and whether they will be charged a penalty or fee to withdraw.*

Answer:

The agreement for prepay service is for one year. However, if the member decides to leave the prepay program prematurely, for reasons other than a requested disconnect, Nolin will assess a \$100 fee for leaving the program early. The purpose of this breach of contract fee is to assist in the recovery of the costs of meter change and processing this transaction, but also to encourage members to stay in the pre-pay program for at least one year.

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