

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FARMERS RURAL ELECTRIC ) CASE NO.  
COOPERATIVE CORPORATION FOR ) 2012-00437  
APPROVAL OF A PREPAY METERING TARIFF )

COMMISSION STAFF'S FIRST INFORMATION REQUEST  
TO FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

Farmers Rural Electric Cooperative Corporation ("Farmers"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on or before November 21, 2012. 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 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.

Farmers shall make timely amendment to any prior response if it obtains 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 Farmers fails or refuses to furnish all or part of the requested information, Farmers shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to paragraph 6 of the Application. Confirm that the reference to Case No. 2012-0620 should be Case No. 2012-00260.

2. Refer to paragraph 7 of the Application.

a. Identify the location in 807 KAR 5:006, Section 6, of the requirement that a paper bill be mailed to a customer.

b. Confirm that the reference to Case No. 2012-0620 should be Case No. 2012-00260.

3. Refer to the Availability section of the Application, Exhibit A of the proposed Pay-As-You-Go (PrePay) Residential Rider. Explain whether this Rider is optional or in addition to Farmers Schedule R – Residential tariff.

4. Refer to paragraph 2 of the Terms and Conditions section of the Application, Exhibit A, which states, “Members should have internet access to participate in this voluntary program.”

a. Confirm that if a customer is unable to receive either email, text, or automated phone messages, the customer will not be able to participate in the prepay program.

b. Explain whether an in-home electronic display could eventually become part of this program.

c. Explain whether all of the residential meters that Farmers currently has in service are compatible with the hardware and software Farmers will deploy for the proposed prepay metering program.

5. Refer to paragraph 4 of the Terms and Conditions section of the Application, Exhibit A.

a. Explain whether Farmers intends to have a term for the proposed prepay agreement.

b. Refer to the section where it states, "Refusal by the member to return all equipment in working order shall result in being charged for replacement cost of the equipment." Explain why the depreciated cost is not used instead of replacement cost for equipment not returned by the member.

6. Refer to paragraph 5 of the Terms and Conditions section of the Application, and to Exhibit A and Exhibit D.

a. How many customers does Farmers expect to have in the proposed prepay program?

b. Provide a schedule of the number of delinquencies, by month, for the last 12 months and the average number of delinquencies for the same period.

c. Provide the estimated monthly number of delinquencies expected after the implementation of the proposed prepay program.

7. Refer to paragraph 5 of the Terms and Conditions section of the Application, Exhibit A. It states that "[t]he Program Fee shall be \$3.18. Both the

Customer Charge and Program Fee will be pro-rated and deducted from the member's account on a daily basis."

a. Explain whether the Customer Charge is the same as the Customer Charge on Schedule R – Residential Service of \$9.35, or if this is an additional Customer Charge.

b. Using 1,000 kWh for a month's usage, and using the most current billing factors, provide an example of a customer bill for a prepay customer and a non-prepay customer.

c. Show a prepay customer's daily billing update under the above conditions.

8. Refer to paragraph 9 of the Terms and Conditions section of the Application, Exhibit A.

a. Explain whether Farmers intends to impose an initial minimum amount for a customer participating in the proposed prepay program.

b. Explain how the incremental minimum purchase of \$10 was determined.

c. Provide a schedule showing the estimated average daily cost under the proposed prepay program.

d. Explain why the minimum incremental purchase should not be a multiple of the average daily cost for a member.

9. Refer to paragraph 10 of the Terms and Conditions section of the Application, Exhibit A, it states the following:

No crediting of the deposit to the prepay account shall occur if the deposit is needed to cover a pre-existing indebtedness by the member or 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).

Explain how Farmers determines when an account does not have a satisfactory credit history.

10. Refer to paragraph 14 of the Terms and Conditions section of the Application, Exhibit A, which refers to Farmers' website.

a. Provide the URL for Farmers' website and explain whether Farmers considered providing its website address in the proposed tariff for informational purposes.

b. Provide screenshot samples of all the prepay program pages that will be available to customers on the website.

11. Refer to paragraph 16 of the Terms and Conditions section of the Application, Exhibit A. Farmers makes reference to a service charge in its Rules and Regulations, presumably a charge in Miscellaneous Service Charges section of its tariff. Identify the "service charge" to which paragraph 16 refers and describe where it is located in the Company's tariffs.

12. Refer to paragraph 18 of the Terms and Conditions section of the Application, Exhibit A. Are there any notices or other items included in monthly bill mailings to post-pay customers that would not be available to prepay customers without a monthly paper bill mailing?

13. Refer to paragraph 20 of the Terms and Conditions section of the Application, Exhibit A.

a. Explain how Farmers determined that the \$25 account-balance threshold would be the appropriate point for notifying the customer.

b. Explain why Farmers is not proposing to allow participants in the prepay program to customize an alert threshold, but has instead set a standard minimum amount which would trigger an alert (i.e., the \$25 amount, as Farmers has identified).

c. Give details of the type(s) of automated messaging delivery to the customer.

14. Refer to paragraph 21 of the Terms and Conditions section of the Application, Exhibit A. It states, in relevant part, that “[a] Pay-As-You-Go account will be disconnected if the balance of the account becomes negative.” Refer to the Application, Exhibit B, paragraph 9, where it states, in relevant part, “that the electric service will be subject to disconnection without any written notification from the Cooperative to the member once the balance of the account reaches zero (\$0.00) or goes negative.” Also, refer to the Application, Exhibit C, paragraph 1, where it states, in relevant part, “[i]f the account balance runs to \$0.00, service will be disconnected.” Identify the correct statement and provide any necessary corrections.

15. Refer to paragraph 21 of the Terms and Conditions section of the Application, Exhibit A. It states that “[t]he account will be disconnected regardless of weather/temperature as the member is responsible for ensuring that the prepay account is adequately funded.”

a. Explain whether there are any exceptions to this rule during periods of extreme temperature for customers such as the elderly or those who have dependent children. Include in the explanation whether any attempt will be made to help the customer obtain aid in such a situation, or whether Farmers would discourage participation in such instances.

b. Explain any differences between the criteria for disconnecting a prepay account and a post-pay account.

c. Explain why Farmers has not reserved the right to temporarily suspend automatic disconnects during extreme weather conditions.

16 Refer to paragraph 25 of the Terms and Conditions section of the Application, Exhibit A. Explain why the depreciated cost is not used, instead of replacement cost, for damaged equipment.

17. Refer to paragraph 7 of the Application, Exhibit C. It states, "Studies have shown that the prepay program reduces energy consumption up to 12 percent." Provide copies of these studies.

18. Refer to the Application, Exhibit D, page 2, Section C, Customer Charge Adder ("Adder").

a. Provide a detailed breakdown of all costs, including the type of equipment and manufacturer, hardware and software, and operating and maintenance expenses, and administration and general expenses, included in the Incremental Costs Associated with Prepay in section 1.

b. Explain why Farmers did not use actual costs related to the proposed prepay program rather than the process it used to determine prepay program costs.

c. Explain why the depreciation rate used for the prepay metering equipment is the average depreciation rate for the distribution plant and not the estimated useful life of the prepay metering equipment.

d. Identify the type(s) of meters Farmers currently has in service and the depreciation rate(s) currently in effect.

e. Explain whether there are any cost savings associated with the proposed prepay program. If so, how have they been reflected in the proposed cost?

f. Item 5 references "Plua." Is this a typographical error, and if so, should it be "Plus," or something else?

g. Give details of how in Item 5 the communication fees were determined.

19. Refer to the Application, Exhibit D, page 2, Section C, Customer Charge Adder.

a. Explain why Farmers did not use actual costs related to the proposed prepay program rather than the process it used to determine prepay program costs.

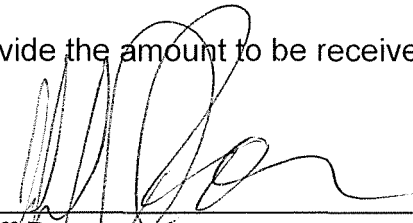
b. Explain how Farmers' calculation of the Adder was determined in the Application.

c. Explain how and why the calculation of Farmers' Adder differs from the calculation of the adder/customer charge for prepay customers for Jackson Energy



Cooperative in Case No. 2010-00210<sup>1</sup> and Blue Grass Energy Cooperative Corporation in Case No. 2012-00260.<sup>2</sup>

20. Explain whether Farmers will receive any grant money pertaining to the proposed prepay metering program, and if so, provide the amount to be received.



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Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602-0615

**NOV 05 2012**  
DATED \_\_\_\_\_

cc: Parties of Record

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<sup>1</sup> Case No. 2010-00210, Tariff Filing of Jackson Energy Cooperative to establish Prepaid Electric Service (Ky. PSC Nov. 30, 2010).

<sup>2</sup> Case No. 2012-00260, Application of Blue Grass Energy Cooperative Corporation for Approval of a Prepay Metering Program (Ky. PSC Aug. 10, 2012).

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