



**Big Sandy Rural Electric  
Cooperative Corporation**

504 11th Street  
Paintsville, Kentucky 41240-1422  
(606) 789-4095 • Fax (606) 789-5454  
Toll Free (888) 789-RECC (7322)

**ORIGINAL**

**RECEIVED**

OCT 8 2015

**PUBLIC SERVICE  
COMMISSION**

October 6, 2015

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
PO Box 615  
Frankfort, KY 40602

RE: Application for approval of Prepay Metering Program

Dear Mr. Derouen:

Please find enclosed an original and 10 copies of Big Sandy Rural Electric Cooperative Corporation's application for approval of a prepay metering program.

If you should need any additional information, please do not hesitate to contact me.

Thank you,

David Estep  
President & General Manager

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**RECEIVED**

OCT 8 2015

PUBLIC SERVICE  
COMMISSION

**IN THE MATTER OF:**

**APPLICATION OF BIG SANDY RURAL  
ELECTRIC COOPERATIVE CORPORATION  
FOR APPROVAL OF A PREPAY METERING  
PROGRAM TARIFF**

**APPLICATION**

Big Sandy Rural Electric Cooperative Corporation, hereinafter called the "APPLICANT", respectfully advises the Commission that:

1. APPLICANT is engaged in the sale of electric power over its 1033.56 miles of line at retail rates to its approximately 13,000 meters in Breathitt, Floyd, Johnson, Knott, Lawrence, Magoffin, Martin, and Morgan Counties, Kentucky.
2. The address of APPLICANT is 504 11<sup>th</sup> Street, Paintsville KY 41240, and its Articles of Consolidation are on file with the Commission in Case No. 2012-00030, styled "ADJUSTMENT OF RATES OF BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION".
3. This Application is for the purpose of requesting approval of a prepay metering program in accordance with the terms set forth in the proposed tariff filed herewith as "Exhibit A".
4. The prepay metering program shall be a completely voluntary program. A copy of the "Agreement" for participation in this prepay program is filed herewith as "Exhibit B".
5. The APPLICANT further requests a deviation from 807 KAR5:006, Section 15 (f)1, which requires a written notice of service termination for non-payment, insofar as such notice would apply to their prepay metering program. It is the understanding of the APPLICANT that such deviation has previously been approved in PSC Case No. 2010-00210 Jackson Energy Cooperative's tariff filing for prepaid electric service, PSC Case No. 2012-0260, Blue Grass Energy's tariff filing for prepaid electric service, PSC Case No. 2011-00141, Nolin Rural Electric Cooperative, and PSC Case No. 2012-00437, Farmers Rural Electric Cooperative.
6. The APPLICANT requests a deviation from 807 KAR 5:006, Section 7, which requires a paper bill to be mailed to members, for this prepay metering program only. It is the understanding of the APPLICANT that such a deviation has previously been approved in PSC Case No. 2012-0620 (Jackson Energy Cooperative) and Case No. 2012-00437 (Farmers Rural Electric Cooperative).

WHEREFORE, the APPLICANT now moves the Public Service Commission of the Commonwealth of Kentucky to grant approval to this prepay metering program as outlined in the tariff attached hereto as "Exhibit A".

Witness the hand of the duly authorized President and General Manager of the APPLICANT this 6<sup>th</sup> day of October 2015.

BIG SANDY RURAL ELECTRIC  
COOPERATIVE CORPORATION

BY: David Estep

DAVID ESTEPP  
President and General Manager

BY: Lance Daniels

LANCE DANIELS  
ATTORNEY FOR APPLICANT  
PO BOX 1115  
PAINTSVILLE, KY 41240

Judy L. McClure

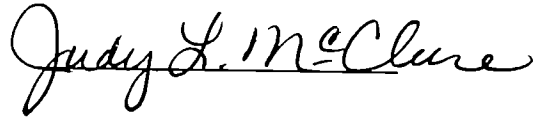
NOTARY PUBLIC, State of Kentucky At Large

My commission expires: 6-19-2018

CERTIFICATE

STATE OF KENTUCKY   )  
COUNTY OF JOHNOSN   )

I the undersigned, a Notary Public, do hereby certify that on this 6<sup>th</sup> day of October, 2015, personally appeared before me **David Estepp**, who being by me first duly sworn, subscribed to and acknowledged that he is the **President and General Manager, of Big Sandy Rural Electric Cooperative Corporation**, a Kentucky corporation, that he signed the foregoing document as President and General Manager of the corporation, and that the statements therein contained are true.



NOTARY PUBLIC, State of Kentucky At Large

My commission expires: 6-19-2018

## **EXHIBITS**

- 1. Exhibit A-** Prepay Program Tariff
- 2. Exhibit B -** Prepay Contract
- 3. Exhibit C -** Explanation of Tariff and Program
- 4. Exhibit D -** Prepay Administrative Policy
- 5. Exhibit E -** Cost Analysis for the Proposed Rate

## **ATTACHMENTS**

- 1. ATTACHMENT 1 - Additional Savings on Prepay Program**

Big Sandy Rural Electric Cooperative Corporation

**PREPAY Metering PROGRAM**

**STANDARD RIDER**

Voluntary Prepay Electric Service is a rider to Rate Schedule A-1 (Farm and Home) as defined by the Cooperative.

**AVAILABILITY OF SERVICE**

All Rate Schedule A-I (Farm and Home) accounts, excluding accounts on Levelized Billing, Budget Billing, auto draft, net metering, three phase accounts, and accounts greater than 200 amp service, within the territory served by the Cooperative.

**TYPE OF SERVICE**

Prepaid Electric Service.

**RATES**

In addition to the Customer Charge and KWH charge for Rate Schedule A-1 (Farm and Home), there will be:

**Monthly Program Fee: \$5.25 (\$0.18 per day)**

**TERMS & CONDITIONS**

Prepay Electric Service is a voluntary program. Members who qualify for this program as defined above in "AVAILABILITY OF SERVICE" may choose to voluntarily enroll their electric account (s) in this program. All members who participate in the Prepay Electric Service are subject to the following:

1. An agreement for Prepay Electric Service must be signed by the member for each account enrolling in the Prepay Electric Service. The term of the agreement is for one year. Special consideration may be made to terminate the one year requirement based upon the needs and circumstances of the member.
2. Members must confirm that he/she can receive electronic communications (email, text, and automated phone messages) to participate in the voluntary prepay program.
3. At the time a member moves his/her status to a prepay account, the initial required payment for electricity is \$100. Members may apply funds in any amount to their prepay account(s) as they choose and as many times per month as they choose.

DATE OF ISSUE: \_\_\_\_\_

DATE EFFECTIVE: \_\_\_\_\_

ISSUED BY: \_\_\_\_\_

TITLE: PRESIDENT AND GENERAL MANAGER

Issued by authority of an Order of the Public Service Commission of Kentucky in

Case No. \_\_\_\_\_ Dated \_\_\_\_\_

Big Sandy Rural Electric Cooperative Corporation

PREPAY METERING PROGRAM - CONTINUED

4. Members may apply funds to their prepay account(s) by the same means as post pay member. These include payments through Big Sandy RECCs website, (except for Levelized Billing, Budget Billing, auto pay, and net metering) check by phone, debit card / credit card by phone, or check /money order by mail or by payment at the office.
5. 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.
6. If a member elects to enroll an account in prepay, the total amount of any existing payment arrangements/contracts will be applied to the account so the full unpaid balance will be reflected on the prepay account.
7. Once enrolled in the prepay service, no additional payment arrangements will be made.
8. If a member's post pay account has been disconnected for non-payment and the member chooses the prepay option for the account to be reconnected, the member will be subject to a prepayment plan whereas future payments will be split 30/70 until the unpaid debt is retired. Under this provision, the member will be applying 30% of any funds paid on the prepay account to the unpaid debt. The remaining 70% of the funds will be applied to daily usage on the account.
9. A new member, who previously received service from Big Sandy RECC and discontinued service without paying his/her final bill, (i.e. an uncollectible account) will be required to pay this amount in full or enter a debt reduction plan utilizing the 30/70 split on all future payments prior to establishing prepay service.
10. Prepay accounts will be billed at least once a day to show the remaining funds on the account. If a meter reading is not available, the account will be estimated for that day. In addition, a month end billing will be done for any unbilled miscellaneous charges. Charges such as program fee, customer charge, KWH, fuel adjustment, environmental surcharge, applicable taxes, franchise fees and outdoor lights will be prorated daily.
11. Prepay accounts will not be subject to deposits, late fees, disconnect fees, and reconnect fees.
12. For a member who request their account to be changed from prepay to post pay, a deposit may be required based on their credit report obtained by Big Sandy RECC at the time of the request.

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Big Sandy Rural Electric Cooperative Corporation

PREPAY METERING PROGRAM - CONTINUED

13. If a payment on a prepay account is returned for any reason, the account is subject to a \$20.00 returned check charge as listed in Big Sandy RECC's Rules and Regulations, Case No. 2005-00125 Appendix B. In addition if an outstanding balance is transferred from another account, the amount of the transfer will be debited to the prepay account. The member will have to apply funds to the account to cover the transfer to keep the account from disconnecting due to a negative balance.
14. If a prepay account is disconnected due to lack of funds or any other reason, the Cooperative shall be held harmless for any damages due to loss of energy services. Likewise, if the account is disconnected and the member applies funds to the prepay account thus causing the account to be reconnected, the member accepts full responsibility for any damages to the location caused by the account being disconnected.
15. A monthly paper bill will not be mailed to members who receive prepay service. However, they may request a copy of their monthly bill or may view it online through MyUsage.com or link on Big Sandy RECC's website – [www.bigsandyrecc.com](http://www.bigsandyrecc.com). Big Sandy RECC requests a deviation from 807 KAR 5:006, Section 14 for this Prepay Metering Program rider only.
16. Due to the prepay status of an account, a delinquent notice will not be mailed on prepay accounts as the account should never be in arrears. Big Sandy RECC requests a deviation from 807 KAR 5:006, Section 14 for this Prepay Metering Program rider only.
17. When the amount of funds remaining on a prepay account reaches the established threshold customized by the member, (Big Sandy recommends \$25), an automated message will be sent to the member rather than a written notice sent by U.S. Mail.
18. All prepay accounts will not be eligible for a Winter Hardship Reconnect, Certificate of Need, or Medical Certificate as outlined in 807 KAR 506, Sections 13, 14, and 15. If a member on a prepay account presents a Certificate of Need, a Medical Certificate or qualifies for a Winter Hardship Reconnect, the member will be required to transfer to a post pay account.
19. A prepay account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather /temperature as the member is responsible for ensuring that the prepay account is adequately funded. If the member cannot ensure proper funding, Big Sandy RECC recommends the member not utilize the prepay service.
20. A prepay account will be disconnected immediately in cases of theft, tampering, or hazardous code violation.
21. Members who voluntarily choose the prepay service are subject to all rules and regulations outlined in the Cooperative's tariffs and bylaws unless specifically noted above.

DATE OF ISSUE:

DATE EFFECTIVE:

ISSUED BY: \_\_\_\_\_

TITLE: PRESIDENT AND GENERAL MANAGER

Issued by authority of an Order of the Public Service Commission of Kentucky in  
Case No. \_\_\_\_\_ Dated \_\_\_\_\_



**Big Sandy Rural Electric Cooperative Corporation  
Agreement for Participation in the Prepay Program**

Member Name		Home Phone	
Account Number		Cell Phone	
Service Address		Cell Carrier	
		E-mail	

The undersigned (hereinafter called the "member") hereby applies for participation in the voluntary Prepay Electric Service Program offered to members of Big Sandy Rural Electric Cooperative Corporation (Hereinafter called the "Cooperative"), and agrees to the following terms and conditions:

1. The member shall purchase electric energy from the Cooperative in accordance with the present and any future rate schedule of the Cooperative on a prepay basis for the above referenced account.
2. The member understands that the terms and conditions set forth in the member's Application for Membership continue to apply in addition to the terms and conditions of this Agreement for Prepay Electric Service, subject, however, to any changes set forth in this agreement.
3. The member shall pay any membership and fees as applicable by the Cooperative bylaws and the Cooperative Rules and Regulations as approved by the Kentucky Public Service Commission as may be required for the member to participate in the Prepay Electric Service Program.
4. Any deposit on the above referenced account 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.
5. As a result of participation in the Prepay Program, the member will not be mailed a monthly paper bill for electric usage or other applicable fees or charges. However, the member may request a copy of their monthly bill or view daily usage online through Big Sandy RECC's website.
6. The member shall pay an additional daily program fee. This amount will be in addition to the charges included in the Cooperative's rate schedule.
7. If a member changes any of the contact information (i.e. e-mail address, phone number, etc.) provided on this agreement, it is the responsibility of the member to notify the Cooperative of any such changes immediately. It is the member's responsibility to manage their own communication devices and alerts.

**Big Sandy Rural Electric Cooperative Corporation**  
**Agreement for Participation in the Prepay Program - continued**

8. When the amount of funds remaining on a Prepay account reaches the established threshold customized by the member (\$25.00 is Big Sandy's minimum recommended amount), an automated message will be sent to the member rather than a traditional, written notice sent by U.S. Mail.
9. The member shall be responsible for regularly monitoring the balance on the prepay account and understands 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 a negative balance.
10. Levelized billing, budget billing, automatic payment draft, and net metering are not eligible for Prepay.
11. Should the member have a payment returned for any reason, the returned payment will be charged to the prepay account. The member's account may also be charged a return payment fee in addition to the returned payment amount. If there are not sufficient funds to cover the returned item and fee, the account will be subject to disconnection immediately.
12. If a Prepay account is disconnected due to lack of funds or any other reason, the Cooperative shall be held harmless for any damages due to loss of energy services. Likewise, if the account is disconnected and the member applied funds to the Prepay account thus causing the account to be reconnected, the member accepts full responsibility for any damages to the location caused by the account being reconnected and holds the Cooperative harmless from any damages arising from such a reconnection.
13. By signing this agreement, the member affirms, there are no residents in the home currently that have medical conditions that will be impacted by loss of service. Should this status change, the member shall contact the Cooperative in writing, upon which the account will be removed from the prepay program. It is the responsibility of the member to confirm the Cooperative is in receipt of the written request for removal from the program.
14. A prepay account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather/temperatures as the member is responsible for ensuring that the prepay account is adequately funded. If the member cannot ensure proper funding, Big Sandy recommends the member not utilize the prepay service.
15. Prepay accounts shall not be eligible for payment arrangements with the Cooperative and energy assistance shall not be applied until received as payment on the member's prepay account.
16. If a member on a prepay account presents a Certificate of Need, a Medical Certificate or qualifies for a Winter Hardship Reconnect, the member will be required to transfer to a post pay account.

**Big Sandy Rural Electric Cooperative Corporation**  
**Agreement for Participation in the Prepay Program-continued**

17. The member authorizes the Cooperative to transfer the unpaid balance of \$\_\_\_\_\_ from the member's post pay account to the prepay account. The member also authorizes the KWH used since the last bill date until the meter is changed to prepay meter be calculated and transferred to the prepay account. The member further agrees that thirty percent (30%) of any payments made on this account in the future shall be applied to the balance until said balance is paid in full. Any fees/penalties (returned payment, meter tampering, etc.) shall be paid before any payments are applied to the member's prepay account.

18. If a member wishes to disconnect service, the member shall be refunded any balance on the prepay account. Any refund will be processed in the same manner as post pay account refunds.

19. The member confirms that he/she can receive communications to be eligible for the prepay program.

20. The term of this agreement shall be for one (1) year. After one year, the member may elect to opt out of the prepay program at any time. If discontinuing after one year, the member will have to meet the requirements of a non-prepaid member for continued service.

Member Signature: \_\_\_\_\_ SSN: \_\_\_\_\_ Date: \_\_\_\_\_

Member Signature: \_\_\_\_\_ SSN: \_\_\_\_\_ Date: \_\_\_\_\_

CSR Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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Office use only

SO number \_\_\_\_\_ Date installed \_\_\_\_\_

Customer number: \_\_\_\_\_ Post by \_\_\_\_\_

Comments: \_\_\_\_\_

**Big Sandy Rural Electric Cooperative  
Prepay program Filing**

**1. How the Prepay Tariff Program works**

Big Sandy Rural Electric's customer information system (CIS) and automated metering infrastructure (AMI) software are multi-speak compliant and interface seamlessly with SEDC's prepaid Account Management System (PAMS), which will be linked to Big Sandy's website. The interface allows the member to deposit money to their electric account through all methods used by post pay members and as listed on Big Sandy Rural Electric's website; with exceptions noted earlier. The amount deposited is then available for viewing on Big Sandy's website (bigsandyrecc.com). Prepay accounts will be billed electronically at least once a day to show the remaining funds on the account. This daily balance is available for the member to view on the internet usage webpage. When the amount of funds remaining on a prepay account reaches the established threshold determined by the Prepay member (\$25.00 is Big Sandy's minimum recommended amount), an automated message will be sent to the member through texting, email or an automated voice call alerting the member. The member then deposits more into the account. If the account balance runs to a negative balance, service will be disconnected. Once a deposit is made, service will be reconnected. Service disconnection and reconnection will be automatic with the installation of a remote collar. This remote collar interfaces with the AMI system and is remotely activated with a reconnect if an amount is applied to the account or disconnected when the account balance reaches a negative balance.

**2. Basis for the rates contained in the proposed tariff**

The basis for the rates found in this tariff is an estimate of the annual expenses for this program. They were calculated similarly to how the rates were calculated for previous prepay filings. Big Sandy Rural Electric is estimating that 500 members will use the program. The timeframe obtaining this number of participants cannot be determined at the present time. Below provides the basis and the computation of the proposed rates followed by an explanation.

- Exhibit A: The investment per Member  
This calculates the cost of the prepay metering
  - The equipment cost is the cost of the software, hardware, training and set up divided by the number of estimate participants. The additional \$180 is due to the cost of the disconnect collars necessary to perform remote disconnection and reconnection of prepaid services.
  - Installation costs is the labor costs of setting up and installing the prepay metering and disconnect collars.
  - Total per investment per prepay member or direct investment sums to \$277.88.

**EXHIBIT A**

<b>Equipment Costs</b>		<b>Per Participant</b>
SEDC Hardware & Software	\$29,800.00	\$59.60
Disconnect Collars	\$90,000.00	\$180.00
<b>Installation Costs</b>		
CSR set up		
Labor – 15 min	\$12.00/hour	\$3.00
Benefits	90%	\$2.70
Serviceman		
Labor – 30 min	\$29.03/hour	\$14.52
Benefits	90%	\$13.06
Truck	\$10.00/hour	\$5.00
<b>Invest per Participant</b>		<b>\$277.88</b>

- **Exhibit B: Annual Expenses**

Annual expenses are calculated off the investment per member in Exhibit A

- Depreciation of total investment costs at 15 yrs
- Interest expense of 2 percent based on an estimated FFB 15 year rate

**EXHIBIT B**

<b>Annual Expenses</b>		
Depreciation	15 year life	\$18.53
Interest	2.0%	\$5.56
<b>Total Annual Expenses</b>		<b>\$24.09</b>
<b>Total Monthly Expenses</b>		<b>\$2.01</b>

- Exhibit C
  - The monthly expenses are calculated to be \$2.01 per member.
  - Monthly Support Fee for SEDC prepaid metering per member is \$0.60.
  - Studies have indicated that a typical prepay customer makes four transactions per month. Instead of a separate transaction fees, the cost will be imbedded in the prepay costs with one transaction being complementary. Based on internal costs it is estimated that the transaction fee is \$1.05 per transaction. This rate is similar to Bluegrass Energy's filing (Case no. 2012-00260).
  - Total monthly rate per participant is proposed to be \$5.25.

**Exhibit C**

<b>Monthly Expenses</b>		
Expense per Participant		\$2.01
SEDC Monthly Support Fee		0.60
Transaction Fees – 3 per month	\$1.05 per transaction	3.15
Monthly Prepay Program Savings Exhibit D		(\$0.51)
<b>Recommended Monthly Program Fee</b>		<b>\$5.25</b>

- Exhibit D: Monthly Prepay Program Savings and Lost Revenue
  - Studies show that prepay customers are more conservative in their electric consumption. Big Sandy estimates that a prepay participant will consume 10% less electricity (based on Cooperative Research Network Project 10-10 – Prepaid Metering Analytical Report)
  - Elimination of late fees

**Exhibit D**

Lost Income due to Prepay Program		
Loss Margins from KWH sales		\$16,646.00
Elimination of late fees	30% of 500	\$28,131.00
Net Annual Loss with prepay metering		(\$44,777.00)
Net Savings with prepay metering		\$47,856.90
Difference		\$3,079.90
Monthly savings per meter		\$0.51

\*\*\*\*See attachment 1\*\*\*\*

3. **Who is eligible**

All Rate schedules A-1 (Farm and Home) accounts within the territory serviced by the Cooperative are eligible except the following:

- Accounts on Levelized Billing, Budget Billing, auto pay, and net metering
- Three phase accounts
- Due to restraints of the AML switches, those accounts greater than 200 amp services

4. **Balance monitoring and explanation of balance alerts**

The member shall be responsible for regularly monitoring the balance on the Prepay account. The account will be adjusted daily and will be available for viewing on the internet usage webpage. The webpage will be updated once daily. When the amount of funds remaining on the Prepay account reaches the established threshold (25.00 is Big Sandy's minimum recommended amount), an automated message will be sent to the member. The threshold amount is configurable by the member, but Big Sandy strongly recommends \$25 dollars. The amount of \$25 was determined to be the cost of an average of four days' estimated usage. A monthly paper bill will not be mailed to members who receive prepay service. However, they may request a copy of their monthly bill or may view it online through Big Sandy Rural Electric's website. In addition, a delinquent notice will not be mailed on prepay accounts

5. **Disconnects**

A prepay account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather/temperature as the member is responsible for ensuring that the prepay account is adequately funded. Service will be reconnected once the prepay account is funded.

Disconnects will not occur over the weekend. If the balance falls to zero over a weekend, service will continue until noon the following Monday. Disconnects will not occur on Holidays. If the balance falls to zero during a holiday, service will continue until the next regular business day.

6. **Winter Hardships and Medical**

All voluntary prepay accounts will not be eligible for a Winter Hardship Reconnect, Certificate of Need, or Medical Certificate as outlined in 807 KAR 5:006, Sections 13, 14, and 15. If a member on a prepay account presents a Certificate of Need, a Medical Certificate or qualifies for a Winter Hardship Reconnect, the member will be required to transfer to a post pay account.

7. Benefits

There are several benefits associated with the prepay program. The first is that members will have an additional choice which leads to a higher satisfaction level. Another benefit is that prepay is an option that does not require a deposit, which also leads to greater satisfaction with the cooperative. In addition, there is a conservation benefit. Studies have shown that the prepay program reduces energy consumption up to 10 percent. This helps to reduce the carbon footprint and supports the demand side management initiatives of Big Sandy Rural Electric. Finally the program will allow Big Sandy Rural Electric to lower expenses by reducing operating costs associated with connect/disconnect trips, write-offs, and delinquents.

8. Education Plan

Big Sandy Rural Electric's voluntary prepaid metering plan will be promoted to the general membership by the following venues:

1. Kentucky Living – Monthly member newsletter insert
2. Flyers
3. Banner-Ups
4. Facebook
5. Big Sandy Rural Electric's Website – [www.bigsandyrecc.com](http://www.bigsandyrecc.com)
6. Radio
7. CSR promotion in house
8. Community events

*Promotion of the program will include options and member benefits including but not limited to:*

1. No deposit
  - a. Because money is collected upfront, there is no need to charge a deposit
2. No reconnect fees
  - a. Because disconnects and reconnects are performed automatically, there is no need to charge a fee
3. No late fees
4. Convenient payments 24/7



5. Member Choice

- a. This program will give members choice in when they pay and how much they pay

Once a member decides to enroll in the program each will be educated via one-on-one consultation. The following details will be covered:

1. Explanation of prepay service and above referenced benefits
2. Individual demonstration of accessing Big Sandy Rural Electric's web portal to access usage information
3. Explanation of text and e-mails alerts they will receive with information on their usage information
4. How to purchase additional kWhs
  - a. Via web portal
  - b. Via phone
  - c. Via Big Sandy RECC Mobile Apps
5. How to reconnect power if disconnected
6. How CAP/LIHEAP is incorporated with prepaid service

Big Sandy Rural Electric  
Administrative Policy  
Prepaid Metering Program

Objectives:

The objectives of Big Sandy Rural Electric's prepaid program are:

1. To create a member friendly, voluntary alternative option for the purchase of electric energy
2. To have a tariff option which allows members, by choice, to have technology available to assist in managing energy and energy purchased
3. To promote a tariff which will improve the over-all financial stability of Big Sandy Rural Electric
4. To make the program available to the general residential membership

The Tariff Document:

The tariff will be written as a rider to be attached to any approved Big Sandy Rural Electric A-1 Farm and Home tariff designed for the purpose of purchasing electric energy. The tariff rider may include any or all of the following:

1. A monthly program fee

Contracts/Agreements:

Each member opting for the prepaid option will be subject to all other applicable rules and regulations which apply to members opting for the post pay option. Each member will be required to pay a membership fee and be entitled to all available benefits.

The membership agreement and prepay program agreement option will require a signature.

The prepaid agreement will be for a minimum of 12 months. However, anytime a member reverts to a traditional post pay account they will be subject to a possible deposit.

**Charges and Assessments:**

Non-energy charges such as a customer charge will be pro-rated daily. The monthly customer charge is \$5.25. This spread over 30 days equals \$0.175 per day. Each day at a specific time, the pro-rated amount will be deducted from the total balance of the account.

The fuel adjustment and environmental surcharge will be credited or debited based upon factors relating to fuel purchases.

When the prepaid account is activated, an initial purchase of \$100.00 is required. Subsequent purchases may be made in increments chosen by the member.

If a member converts from post paid to prepaid and a deposit has been collected, that deposit will be applied to the outstanding balance on any post pay account in the member's name. Any overage will be placed as a credit on the prepaid account.

If a member has been disconnected for non-pay and chooses the prepaid option for reconnect, they will be offered a debt management plan for the outstanding balance. They will have the option to split future payments 70/30. Seventy-percent of any payment will be placed on future purchases while thirty percent will be applied towards retirement of the outstanding balance.

**Consumer Education Plan:**

Big Sandy Rural Electric's voluntary prepaid metering plan will be promoted to the general membership by the following venues:

1. Kentucky Living – Monthly member newsletter insert
2. Flyers
3. Banner-Ups
4. Facebook
5. Big Sandy Rural Electric's Website – [www.bigsandyrecc.com](http://www.bigsandyrecc.com)
6. Radio
7. CSR promotion in house
8. Community events

Promotion of the program will include options and member benefits including but not limited to:

1. No deposit
  - a. Because money is collected upfront, there is no need to charge a deposit
2. No reconnect fees
  - a. Because disconnects and reconnects are performed automatically, there is no need to charge a fee
3. No late fees
4. Convenient payments 24/7
5. Member choice
  - a. This program will give members choice in when they pay and how much they pay

Once a members decides to enroll in the program each will be educated via one-on-one consultation. The following details will be covered:

1. Explanation of prepay service and above referenced benefits
2. Individual demonstration of accessing Big Sandy Rural Electric's web portal to access usage information
3. Explanation of text and e-mail alerts they will receive with information on their usage information
4. How to purchase additional kWhs
  - a. Via web portal
  - b. Via phone
  - c. Via Big Sandy RECC Mobile Apps
5. How to reconnect power if disconnected
6. How CAP/LIHEAP is incorporated with prepaid service

Miscellaneous:

If a member decides to leave the prepaid program and a credit is on the account, the credit can be refunded or applied to any other active account in the member's name.

<u>Monthly Charge</u>	500 Prepay Members	Per Member
<b>Equipment Cost</b>		
SEDC Hardware & Software	\$ 29,800.00	\$ 59.60
Disc. Collar	\$ 90,000.00	\$ 180.00
<b>Installation Cost</b>		
CSR set up per member		
labor 15min \$3.00	\$ 1,500.00	\$ 3.00
OH @ 90% \$2.70	\$ 1,350.00	\$ 2.70
Serviceman Labor	\$ 7,260.00	\$ 14.52
OH @ 90%	\$ 6,530.00	\$ 13.06
Truck	\$ 2,500.00	\$ 5.00
Total Investment	<b>\$ 138,940.00</b>	<b>\$ 277.88</b>
Annual Expense based on 15 year		
Depreciation		\$ 18.53
Intrest 2.0%		\$ 5.56
Annual Expense		<b>\$ 24.09</b>
Monthly EXP per meter		<b>\$ 2.01</b>
Transaction fees x3		\$ 3.15
Monthly Software (SEDC)		<u>\$ 0.60</u>
		\$ 5.76
Monthly Savings with prepay program		\$ (0.51)
Total Monthly Program Fee		<b>\$ 5.25</b>

## Additional Annual Savings - Prepay Program

### Savings In servicemen trips to disconnect:

Based on average 2,500 delinquents notices mailed per month (July 2012 actually 2677).

Big Sandy estimates an average of 100 are "worked"  
(field visit made for collection)

This is a ratio of 4%

4% of 500 members = 20

Eliminating 20 field visits per month

#### Decrease

Field visits = 2 servicemen (30 minutes)

Overhead  
Vehicle

29.03 Labor

26.13 OH

5.00 OH

60.16

X 20 trips

1203.20 per month

X 12

\$14,438.40 Annually

\$14,438.40

### Savings in O.T. to reconnect services

During winter hardship program - 5 months

25 Overtime trips will be eliminated

Lineman  
Overhead  
Vehicle

29.03 X 2

58.06 Labor

26.13 X 2

52.26 OH

10

10.00 OH

120.32

(30.00 + 52.50)

Less

-82.50

37.82

X 25

945.50 Annually

\$ 945.50

### Savings in CSR time prepaing cut offs

Creating contracts 10min X 20

240

Processing cutoff 1 min X 20 X 2 days

40

X 12

2,880 minutes

\$1,008.00 Annually

\$1,008.00

### Decrease Postage Costs

20% of 13,000 members receive delinquent notices

500 X 20 X 2 (estimate that higher level delinquent accounts joining prepay billing) = 40%

40% Of 500 participants = 200 pre pay members

200 X .37 per month

X 12

74.00 per month

\$ 888.00 Annually

\$ 888.00

### Decreased Intrest on Deposits

500 deposits @ \$250= \$125,000.00

Current rate .00104

\$ 130.00

Decrease in Bad Debt Write-offs

\$30,447.00

Net Annual Savings

\$47,856.90

## Lost Income due to Prepay Program

Loss Margarins from kwh sales		\$16,646
Loss of Connection fees (100 per year)		\$ -
50 new connects or reconnects @ 30.00 =	1500.00	
50 reconnects/non payment @ 35.00 =	1750.00	
Loss Income - elimination of late fees 30% of 500 members = 150		
183 X 183 per month = 33,489 X 12 = 401,868 X 7%		\$28,131

Net Annual loss with prepay metering	\$44,777
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Savings	\$ 47,857
Lost Income	\$ 44,777
	\$ 3,080

Monthly savings per meter	\$ 0.51
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