

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF SHELBY ENERGY COOPERATIVE, INC.) CASE NO.
FOR APPROVAL OF A PREPAY METERING TARIFF) 2013-00129

APPLICATION

Shelby Energy Cooperative, Inc. ("Shelby") respectfully submits this application seeking approval of a prepay metering tariff. The petition respectfully shows:

1. Shelby is a not-for-profit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member/customers in the Kentucky counties of Anderson, Carroll, Franklin, Henry, Jefferson, Owen, Shelby, Spencer, Oldham and Trimble. As of 2012, Shelby serves 15,414 active services for member/customers and has 2,104 miles of distribution lines in its ten-county service territory.
2. Shelby's mailing address is 620 Old Finchville Road, Shelbyville, KY 40065
3. The Articles of Incorporation and all amendments thereto for Shelby are filed in Case No. 1997-231.
4. This Application is for the purpose of requesting approval of tariff for a prepay metering program in accordance with the terms set forth in the proposed tariff attached as Exhibit A of this application.
5. The prepay metering program shall be a completely voluntary program. A copy of the "Agreement" for participation in this prepay program is attached as Exhibit B of this application.
6. Testimony for the Prepay Tariff and Program is filed herewith as "Exhibit C".
7. Shelby's Prepay Administrative Guidelines are filed herewith as "Exhibit D".
8. Shelby's Cost Analysis for the prepay program is filed herewith as "Exhibit E".

9. Shelby further requests a deviation from 807 KAR 5:006, Section 14, 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 Shelby that such a 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, PSC Case No. 2011-00141, and Farmers Rural Electric Cooperative, PSC Case No. 2012-00437.

10. Shelby requests a deviation from 807 KAR 5:006, Section 6, which requires a paper bill to be mailed to members, for this prepay metering program only. It is the understanding of Shelby that such a deviation has previously been approved in PSC Case No. 2012-0620 (Jackson Energy Cooperative) and PSC Case No. 2012-00437 (Farmers Rural Electric Cooperative).

WHEREFORE, Shelby Energy Cooperative, Inc. requests that the Public Service Commission of the Commonwealth of Kentucky issue an Order authorizing Shelby the approval of this tariff for the prepay metering program.

Dated at Shelbyville, Kentucky this 9th day of April, 2013.

Donald Prather
Mathis, Riggs and Prather
500 Main Street, Suite 5
Shelbyville, KY 40065
Phone: 502-633-5220
E-Mail: dprather@iglou.com



Donald Prather, Attorney for
Shelby Energy Cooperative, Inc.

FOR All Territory Served

PSC KY NO. 5

Original SHEET NO. 132

Shelby Energy Cooperative, Inc.
(NAME OF UTILITY)

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

PREPAY SERVICE

STANDARD RIDER:

Shelby Energy Cooperative's Prepay Service ("Prepay") is an optional rider to Rate 12 – Residential Service as defined by the Cooperative.

AVAILABILITY:

All Rate 12 - Residential services, excluding accounts on Levelized/Fixed Budget, Automatic Draft, Net Metering and three-phase accounts within the territory served by Shelby Energy Cooperative.

MONTHLY RATE:

Consumer Facility Charge:	\$ 10.14 (\$0.388 per day)
Energy Charge per kWh:	\$ 0.08861
Prepay Service Fee:	\$ 3.00 (\$0.10 per day)

TERMS & CONDITIONS:

Members who qualify as defined above in "Availability" may choose to voluntarily enroll their electric account(s) in the Prepay service and are subject to the following:

1. Each member electing Prepay service will be subject to all other applicable rules and regulations which apply to members using the residential tariff, without the Prepay rider.
2. Members should have internet access or the ability to receive electronic communications, including texting services to participate in the voluntary Prepay service.
3. Any member choosing to enroll in Prepay service shall sign a *Prepay Service Agreement* ("Agreement"). The Agreement shall remain in effect until the member notifies Shelby Energy, in writing, to cancel the Agreement.
4. Upon written cancellation of the Agreement, the member shall be subject to the conditions of the applicable tariff, without the Prepay rider. In accordance with Shelby Energy's current Rules and Regulations, this may require a security deposit to be paid by the member at the time of cancellation of the Prepay service.

DATE OF ISSUE April 10, 2013
MONTH / DATE / YEAR

DATE EFFECTIVE June 1, 2013
MONTH / DATE / YEAR

ISSUED BY _____
SIGNATURE OF OFFICER

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00129 DATED: March 29, 2013

FOR All Territory Served

PSC KY NO. 5

Original SHEET NO. 132.1

Shelby Energy Cooperative, Inc.
(NAME OF UTILITY)

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

PREPAY SERVICE (continued)

5. Any special equipment issued to the member for participation in Prepay service shall be returned in good working condition by the member. Refusal by the member to return the equipment shall result in replacement cost of the equipment being charged to the member.
6. The Consumer Facility Charge and Energy Charge will be the same as Shelby Energy's applicable residential tariff. The Energy Charge per kWh will be calculated and deducted from the member's account on a daily basis. The Consumer Facility Charge and Prepay Service Fee will be pro-rated and deducted from the member's account on a daily basis.
7. The Fuel Cost Adjustment and Environmental Surcharge will be charged or credited to the account daily. The Fuel Adjustment and Environmental Surcharge will be the rates in effect for the time of the daily update.
8. The Prepay account will not be subject to deposits, late fees, disconnect fees, and reconnect fees.
9. At the time Prepay service is activated for an account, the initial purchase/funding for the account is recommended to be a minimum of \$100.00. Purchases beyond the point of activation will be at an increment of the member's choosing, with a minimum purchase being \$20.00. Members may apply funds to a Prepay account by most payment methods available for post-pay service and provided on Shelby Energy's website at: www.shelbyenergy.com
10. When a member selects to participate in Prepay service and has a security deposit on file, the deposit and any accumulated interest will not be refunded. The deposit will be converted into a credit on the Prepay account going forward. 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).

DATE OF ISSUE April 12, 2013
MONTH / DATE / YEAR

DATE EFFECTIVE June 1, 2013
MONTH / DATE / YEAR

ISSUED BY _____
SIGNATURE OF OFFICER

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00129 DATED: March 29, 2013

FOR All Territory Served

PSC KY NO. 5

Original SHEET NO. 132.2

Shelby Energy Cooperative, Inc.
(NAME OF UTILITY)

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

PREPAY SERVICE (continued)

11. If a member who has not participated in Prepay service is disconnected for non-payment, the member may request to be reconnected and enrolled in Prepay service. If the member is unable to pay the account balance in full for the disconnected account, a payment plan will be established whereby future purchases for the Prepay account will be split 70/30 until the previous account balance is retired. Seventy percent (70%) of future purchases will be applied to funding the Prepay account and thirty percent (30%) will be applied towards retirement of the previous account balance minus any applicable deposit.
12. A prior member, who discontinued service at Shelby Energy without paying the final bill, (i.e. an uncollectible account/bad debt) will be required to pay the past-due amount prior to establishing Prepay service. If the member is unable to pay the past-due amount in full, a payment plan will be established whereby future purchases for the Prepay account will be split 50/50 until the debt is retired. Fifty percent (50%) of future purchases will be applied to funding the Prepay account and fifty percent (50%) will be applied towards retirement of the debt.
13. If a member enrolls in Prepay service, the total amount of an existing payment arrangement will transfer to the Prepay account and installments will be paid as agreed by the existing arrangement, or by a revised installment schedule as agreed by the member and Shelby, until paid in full.
14. Once an account is enrolled in Prepay service, the account will no longer be eligible for additional payment arrangements.
15. Financial assistance from community action or other agencies received for a Prepay account will be credited to the balance of the Prepay account upon receipt of a voucher or other supporting document of commitment from the agency providing assistance.
16. When a Prepay account reaches a balance of \$25.00, an automated message(s) will be processed and sent to the member and no written notice will be sent by mail.
17. If a payment on a Prepay account is returned for any reason, the account is subject to the service fee as provided in Shelby Energy's Rules and Regulations.

DATE OF ISSUE April 12, 2013
MONTH / DATE / YEAR

DATE EFFECTIVE June 1, 2013
MONTH / DATE / YEAR

ISSUED BY _____
SIGNATURE OF OFFICER

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00129 DATED: March 29, 2013

FOR All Territory Served

PSC KY NO. 5

Original SHEET NO. 132.3

Shelby Energy Cooperative, Inc.
(NAME OF UTILITY)

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

PREPAY SERVICE (continued)

18. Members presenting a Winter Hardship Reconnect, Certificate of Need or Medical Certificate as provided in 807 KAR 5:006, Sections 13, 14 and 15 will be removed from Prepay service and the account will return to the status of a post-pay account.
19. A monthly paper bill will not be mailed to a member who elects to participate in Prepay service. The member may view their Prepay account status on Shelby Energy's website. Based on the Prepay notification system, the account should not be eligible for past-due status, therefore; a delinquent notice will not be processed or mailed.
20. A Prepay account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather or temperature as the member is responsible for ensuring that the Prepay account is adequately funded. Shelby Energy discourages participation in the Prepay program if the member cannot ensure proper funding.
21. If a Prepay account is disconnected due to lack of funds or any other reason, Shelby Energy shall be held harmless for any damages due to loss of energy service. In addition, if the account is disconnected and the member applies funds to the account which results in the account being reconnected, the member accepts full responsibility for any damages resulting.
22. Prepay accounts will be billed daily with a month-end billing being processed to finalize any applicable miscellaneous fees such as billing contracts, EnviroWatts, WinterCare, etc.
23. If a request is made to disconnect the service for a Prepay account, any remaining balance will be transferred to other active accounts, if applicable, or refunded in form of a check.
24. Should damage occur to the equipment as a result of malice or neglect by the member, the member shall be billed for the replacement cost of the equipment.
25. Members may check the status of a Prepay account by utilizing Shelby Energy's website or by contacting the office.

DATE OF ISSUE April 12, 2013

MONTH / DATE / YEAR

DATE EFFECTIVE June 1, 2013

MONTH / DATE / YEAR

ISSUED BY _____

SIGNATURE OF OFFICER

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE

COMMISSION IN CASE NO. 2013-00129 DATED: March 29, 2013

**SHELBY ENERGY COOPERATIVE, INC.
AGREEMENT FOR PREPAY SERVICE**

Member Name	_____	Home Phone	_____
Account No.	_____	Cell Phone	_____
Service Address	_____	Cell Carrier	_____
	_____	E-mail	_____

The undersigned (hereinafter called the "member") hereby applies for participation in the voluntary Prepay service offered to members of Shelby Energy Cooperative, Inc. (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 Service, subject, however, to any changes set forth in this agreement.
3. The member shall pay any fees as applicable by the Cooperative bylaws and the Cooperative Rules and Regulations as approved by the Kentucky Public Service Commission and 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 final billing for the post-pay account before the account changes to Prepay service. 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 above.
5. Those members participating in Prepay service will not be mailed a monthly paper bill for electric usage or other applicable fees or charges. Account information may be obtained from the web portal or by contacting the office.
6. The member shall pay a daily program fee and a daily consumer facility charge fee. This amount will be in addition to the charges included for the fuel cost adjustment and environmental surcharge rates which will be charged or credited to the account based upon the effective rates. The effective rates of the fuel adjustment and environmental surcharge will be the rates in effect when kWh's are used.
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.
8. When the amount of funds remaining on a Prepay account reaches the established threshold of \$25.00, an automated message will be sent to the member rather than a traditional, written notice sent by U.S. Mail. The Cooperative shall not be responsible for any failure of the member to receive the automated message for any reason(s).
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, verbal or other method of notification from the Cooperative to the member once the balance of the account reaches a negative balance. If the member cannot ensure proper funding, the Cooperative recommends the member not utilize the Prepay service.
10. Budget billing, automatic draft, net metering and three-phase accounts are not eligible for Prepay service.
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 shall also be charged a return payment fee in addition to the returned payment amount.
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 service. 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 that currently have medical conditions that will be impacted by loss of service. Should this status change, the member shall contact the Cooperative in writing, at which time the account will be removed from Prepay service. It is the responsibility of the member to confirm the Cooperative is in receipt of the written request for removal from Prepay service.
14. A Prepay account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather or temperature as the member is responsible for ensuring that the Prepay account is adequately funded.
15. Financial assistance from community action or other agencies received for a Prepay account will be credited to the balance of the Prepay account upon receipt of a voucher or other document of commitment from the agency providing assistance.
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 shall be required to transfer to a post-pay service account.
17. The member authorizes the Cooperative to transfer the unpaid balance of \$_____ from the member's post-pay account to the Prepay service account. The member also authorizes the kWh used since the last bill date until the meter is changed to Prepay service to be calculated and transferred to the Prepay account. The member further agrees that thirty percent (30%) of any future purchases for funding the Prepay account 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 purchases for funding is applied to the member's Prepay account.
18. For a prior member who discontinued service at Shelby Energy without paying the final bill, (i.e. an uncollectable account/bad debt), the member agrees that if the uncollectable account/bad debt is not paid in full upon enrolling in Prepay service, a payment plan will be established whereby fifty percent (50%) of future purchases for funding the Prepay account shall be applied to the debt until paid in full. The member authorizes the Cooperative to transfer the uncollectable account/bad debt balance of \$_____ to the Prepay service account.
19. A Prepay account shall not be eligible for future payment plan arrangements.
20. 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 a post-pay account refund.
21. The member, by signing this agreement, confirms the ability to receive electronic communications which is required to be eligible for the Prepay service.
22. The Prepay agreement shall be in effect until the member submits cancelation to Shelby Energy in writing. If Prepay service is ended, the member must meet the requirements of a post-pay account for continued service.
23. Members may apply funds to a Prepay account by most payment methods available for post-pay service and provided on Shelby Energy's website at: www.shelbyenergy.com

Member Signature: _____ SSN: _____ Date: _____

Spouse Signature: _____ SSN: _____ Date: _____

CSR Signature: _____ Date: _____

Preferred Method of notification is (please check one): **E-Mail** **Text**

OFFICE USE ONLY

SO Number _____ Date Installed _____

Customer NO. _____ Initials _____

Comments _____

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
IN THE MATTER OF:
THE APPLICATION OF SHELBY ENERGY COOPERATIVE, INC.
FOR APPROVAL OF A PREPAY METERING PROGRAM TARIFF

PREPARED TESTIMONY OF MARY ELIZABETH PURVIS

Q1: State your name and business address.

A1: I am Mary Elizabeth Purvis and my business address is 4004 Port Royal Drive
Richmond, KY 40475

Q2: What has been your role in this tariff?

A2: My role in this application has been to develop the tariff and the rates proposed in the
tariff and to advise in the overall development of this filing and the overall program.

Q3: What is your professional experience in the area of electric utility rate making?

A3: I am employed by Jim Adkins Consulting (JAC) to assist in utility rate cost of service
studies, rate design, revenue requirement determination, financial forecasting, regulatory
affairs and other matters pertaining to electric cooperatives. I am also an Instructor of
Economics and Mathematics.

Q4: What is your educational background?

A4: I received two Bachelor's Degrees in Economics and Mathematics from Centre College.
I also possess a Master's Degree in Economics from the University of Georgia and a
Master's Degree in Business Administration from Morehead State University.

Q5: Have you ever appeared as a witness before this Commission?

A5: Yes, I have appeared as a witness before this Commission.

Q6: What is the basis for the rates contained in the proposed tariff?

A6: 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, specifically in PSC case #2012-00437 For Farmers Rural Electric
Cooperative Corporation (Farmers).

Q7: How many members did Shelby Energy Cooperative (Shelby) use to estimate
participation in developing the rates contained in the proposed tariff?

- A7: Shelby is estimating that 500 members will use the program. This number was calculated similarly to how Farmers' calculated theirs in that 500 represent approximately three percent of its members. The timeframe for obtaining this number of participants cannot be determined at the present time.
- Q8: Please explain how the Prepay Tariff Program works.
- A8: Shelby's customer information system (CIS) and automated metering infrastructure (AMI) software are multi-speak compliant and interface seamlessly. The interface allows the member to make a payment to their electric account through most methods used by post pay members and listed on Shelby's website. The amount deposited is then available for viewing on the internet usage webpage. 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 of \$25, an automated message will be sent to the member through texting and/or email alerting the member. The member then deposits more funds into the account. If the account balance becomes negative, service will be disconnected. Once a payment is made, service will be reconnected. Service disconnection and reconnection will be automatic with the installation of a disconnect collar. This meter 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 becomes negative.
- Q9: Please discuss the computation of the proposed rates.
- A9: The basis for the rates found in this tariff is an estimate of the annual expenses for this program based on the additional investment required for each customer that may participate in this program. It was calculated similarly to how the rates were calculated for Farmers in that the rate is determined by the incremental costs per member. Exhibit E of this application contains the calculation for the proposed rate.
- Q10: Please explain further how the \$3.00 monthly fee was derived.
- A10: The \$3.00 monthly fee was found by finding the annual additional investment, specifically the investment in the collar added to the existing AMI meter that allows for remote connect and disconnect. This cost of the collar was then multiplied by the percent of annual fixed charges to find an annual cost. This resulting annual cost was divided by twelve to obtain the monthly incremental cost. Finally, four monthly communication fees (texts) were added. Four communication fees were used because in other prepay programs it has been found to be the average number of texts a customer receives each month. Please see Exhibit E, Part C of this application for these calculations.
- Q11: What is the annual fixed charged rate and how was it calculated?

A11: The annual fixed charged rate represents the percent of total costs that are fixed. Or, more simply it represents the percentage of the collar that would be applied to a member's customer or fixed charges during a full cost of service study. To find, the percentage of total Distribution Plant Costs for which Depreciation, Distribution Operation and Maintenance and Administrative and General each contributed was calculated (See Exhibit E Section B1, B2, and B3.) Each of these percentages was summed resulting in the percent of total distribution costs that are fixed. Next an annual return on the collar investment was calculated. This calculation is based on actual debt and interest for the test year and return on equity based on a TIER of 2.00. (See Exhibit E Section B4.) The annual return percentage and the annual total costs percentage are summed to arrive at an annual percent of costs that are fixed. (See Exhibit E Section A)

Q12: Why did Shelby follow Farmer's process in determining the prepay program costs and not use actual costs related to the proposed prepay program as other cooperatives such as Bluegrass Energy?

A12: Shelby decided to follow Farmers' approach and to look at the cost of the incremental investment and determine a cost based on its general cost structure so to provide as low a fee as it could to justify the program. Shelby wants to make this fee as reasonable as possible and to make it potentially attractive to any member.

Q13: How does the computation of the monthly cost compare to the monthly computations of other prepay programs, for example Bluegrass Energy's?

A13: Shelby does not want to incur such a high monthly fee and therefore has elected to defer to the method utilized by Farmer's.

Q14: Why is there not a transaction fee proposed in this tariff?

A14: The transaction fee is not included because the software from the billing company Shelby utilizes, Southeast Data Cooperative (SEDC) does not support a separate per transaction fee. A transaction charge is not added to the monthly Prepay Fee fee because Shelby's approach was to look at the incremental investment only and to provide as low a fee as possible.

Q15: Who is eligible for Prepay service?

A15: Rate Schedule 12 (Residential) accounts within the territory serviced by the Cooperative are eligible except the following:

- Accounts on Levelized/Fixed Budget Billing
- Accounts on Automatic Draft
- Accounts on Net Metering
- Accounts with Ancillary Services
- Three-phase accounts

- Due to restraints of the AMI switches, those accounts greater than 200 amp service
- Winter Hardships
- Certificate of Need
- Medical Certificate

Q16: Are all the residential meters that Shelby currently have in service compatible with the prepay hardware and software?

A16: All the current AMI meters are compatible with the prepay hardware and software offered by SEDC. However, the prepay service program requires that a remote disconnect/reconnect collar be added to the meter.

Q17: Please explain in more detail the balance monitoring and balance alerts for the Prepay Program.

A17: 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 or by calling the customer service. Updates will occur once daily. When the amount of funds remaining on the Prepay account reaches the established threshold of \$25, an automated message will be sent to the member. An established threshold amount was chosen because it is a uniformed amount across the program for all users. The amount of \$25 was determined to be the cost of an average of four days' estimated usage. A delinquent notice will not be mailed on prepay accounts.

Q18: Please provide a screen print of all screens available on the computers of participants in the prepay program.

A18: Please see Exhibit C-1 for an example of a screen shot to view usage and Exhibit C-2 for a screen shot to view payments.

Q19: Please provide an example of an automated text and e-mail.

A19: Please see Exhibit C-3 for an example.

Q20: When do disconnects occur?

A20: A prepay account will be disconnected if the balance of the account reaches a negative balance. 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 becomes negative over a weekend, service will continue until the following Monday. If the following Monday is a holiday, the service will be disconnected at the following normal work day. If the account balance becomes negative on a holiday, service will continue until the following normal work day.

Q21: How will communication be impacted during major outage situations?

A21: The two-way communication will not be available during power outages. This means that the automatic reconnect or disconnect function will not operate without power. During major outage situations, the automatic disconnect function of prepay program will be suspended until Shelby has restored power to all customers.

Q22: In special circumstances in which the tariff is not working for the member, will exceptions be made so that the member can return to the standard residential tariff?

A22: Yes, there is no term.

Q23: Who is not eligible for the prepay program?

A23: 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 15 and 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.

Q24: Can an in-home display (IHD) be part of this program?

A24: Until just recently, SEDC did not support the use of IHD's. Shelby has decided not to offer the use because the goal is to keep the cost at a minimum. Not only will the display add to the hardware cost, but there would be addition costs associated with monthly software maintenance and software licensing. If Shelby sees a demand for the IHD, Shelby will investigate the IHD alternative.

Q25: Are there any exceptions to the rule of disconnecting service if the account balance becomes negative during periods of extreme temperatures?

A25: Weather extremes will be considered on a case by case basis. Shelby is very proactive in assisting its members during times of financial needs. Prepay members will be directed to hardship programs and worked with like other residential tariffs. However, those who have frequent hardships will be encouraged not to participate in the prepay program.

Q26: What are the benefits of the Prepay program?

A26: 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 12 percent. This helps to reduce the carbon footprint and supports the demand side management initiatives of Shelby. Finally the program will allow Shelby to lower expenses by reducing operating costs associated with connect/disconnect trips, write-offs and delinquent debt.

Q27: Is there any grant money used for this Prepay Program?

A27: No.

Q28: Does this conclude your testimony?

A28: Yes, this concludes my testimony.

Selected Account

Account	Name	Status	Service Address	Meter	Due Date	Account Balance	Share Amount
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Prepaid Metering Account History

This page displays account history for your prepaid metering account. The balance shown for each date is the ending balance for that date including all payments and adjustments made up to that point.

Date	Meter Read Date	Total KWH	Charges	Balance
03/26/2013	03/25/2013	37	4.46	-14.11
03/25/2013	03/24/2013	43	5.05	-18.57
03/24/2013	03/23/2013	74	8.18	-23.62
03/23/2013	03/22/2013	65	7.26	5.70
03/22/2013	03/21/2013	67	7.47	-1.56
03/21/2013	03/20/2013	47	5.47	-9.03
03/20/2013	03/19/2013	31	3.09	0.50
03/19/2013	03/19/2013	51	6.62	-2.59
03/18/2013	03/17/2013	30	3.76	-9.21
03/17/2013	03/16/2013	34	4.16	-12.97
03/16/2013	03/15/2013	48	5.56	-17.13
03/15/2013	03/14/2013	22	2.95	-22.69
03/14/2013	03/13/2013	63	7.06	4.36
03/13/2013	03/12/2013	38	4.56	-2.70
03/12/2013	03/11/2013	27	3.47	-7.26
03/11/2013	03/10/2013	144	16.68	-10.73
03/10/2013	03/07/2013	0	0.00	-27.41
03/09/2013	03/07/2013	0	0.00	-27.41

Selected Account

Account	Name	Status	Service Address	Meter	Account Balance

Directions

All payments for the selected account are listed below. If an account has not been selected, the Payment List includes payments for all accounts. If you have a question regarding any or your payments, or feel that a payment may have been incorrectly applied to your account, please contact Customer Support. When questioning a payment, please provide the Payment Date, Payment Amount, and Check Number or Credit Card Authorization Number if applicable.

Payment List

Payment Date	Amount	Member Fee	Deposit	Other Deposit	Check Nbr	Credit Card Authorization
03/24/13	3.75	0.00	0.00	0.00	0	
03/24/13	15.00-	0.00	0.00	0.00	0	656780
03/24/13	8.75	0.00	0.00	0.00	0	
03/24/13	35.00-	0.00	0.00	0.00	0	592596
03/21/13	5.00	0.00	0.00	0.00	0	
03/21/13	20.00-	0.00	0.00	0.00	0	506158
03/21/13	20.00	0.00	0.00	0.00	0	
03/15/13	10.00	0.00	0.00	0.00	0	
03/15/13	40.00-	0.00	0.00	0.00	0	507441
03/08/13	12.50	0.00	0.00	0.00	0	
03/08/13	50.00-	0.00	0.00	0.00	0	115929
02/27/13	25.00	0.00	0.00	0.00	0	
02/27/13	100.00-	0.00	0.00	0.00	0	108301
02/25/13	5.00	0.00	0.00	0.00	0	

Selected Account

Account	Name	Status	Service Address	Meter	Due Date	Account Balance

Subscribe/Modify for Alerts & Reminders Service

Please verify the E-mail address and mobile number which we have in our records, so that alerts & reminders can be sent. Please update below E-mail address and mobile number if required.

My alerts & reminders for this account number will be sent to:

E-mail Address:	<input type="text"/>
Confirm E-mail Address:	<input type="text"/>
Mobile Number:	<input type="text"/>
Mobile Service Provider:	T-Mobile <input type="button" value="v"/>

Smart Devices

Profile Name	Enable/Disable	Delete
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Currently there are no Smart Devices registered for this account. To register a device, you should enable Push Notifications from the same Device.

Select alerts & reminders preferences:

Please select preferences for alerts & reminders which can be modified later if required by re-visiting this page.

Alert Type	Description	Text Message	Email	Push Notification
Account Profile Change	Alert the customer when the profile is updated.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Returned Check Alert	Alert the customer when a check is returned / rejected.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Payment Confirmation	Remind the customer when the bill is paid.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service Connected	Alert the customer when the service has been connected.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service Disconnected	Alert the customer when the service has been disconnected.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service Reconnected	Alert the customer when the service has been reconnected.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Low Balance Threshold Reached	Alert me when there is less than <input type="text" value="20.00"/> left in my Prepaid metering account.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Balance and Usage Alert	Alert the customer each day with PPM Balance and usage.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Sample Message:

The Prepay balance for your account number <Account> has fallen to <Balance>. Please contact us at 800-292-6585 or visit the <"https://"Shelby Energy Member Portal> as soon as possible to avoid any disruption in your electric service.

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****When the alert is sent, the tags (<Account> and <%PPMBalance>) are replaced with the values for the account and the html seen becomes a link to the portal that the member can click on to access.**

Shelby Energy Cooperative, Inc.
Administrative Guidelines
Prepay Metering Program
April, 2013

Objectives:

The objectives of Shelby Energy Cooperative's (Shelby) Prepay service program ("Prepay") are:

1. To create a member-friendly, voluntary and 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 that will improve the over-all financial stability of Shelby;
4. To make the program available to the general residential membership and
5. To promote energy efficiency.

The Tariff Document:

The tariff will be written as a rider to be attached to any approved Shelby Rate Schedule 12 (Residential Service) designed for the purpose of purchasing electric energy. The tariff rider may include, in addition to the customer charge and energy charge, a monthly program fee.

Contracts/Agreements:

Each member selecting the Prepay service option will be subject to all other applicable rules and regulations which apply to members selecting the post-pay service option. Each member will be entitled to all available benefits with the exception of the specifically stated payments option.

Each member selecting the Prepay service option must sign a *Prepay Service Agreement* ("Agreement"). The Agreement does not have a term. However, anytime a member reverts to a traditional post-pay account the member will be subject to a possible deposit. Any request for changes must be made in writing.

Charges and Assessments:

Non-energy charges such as a consumer facility charge will be pro-rated daily. The current monthly Prepay service fee is \$3.00. This spread over 30 days equals \$0.10 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, environmental surcharge, and taxes will be pro-rated daily and credited or debited, as applicable to the Prepay account.

When the Prepay account is activated, an initial purchase of \$100.00 is recommended. Subsequent purchases may be made in increments chosen by the member, with a minimum purchase being \$20.00.

If a member converts from a post-pay account to Prepay service and a deposit has been collected previously for the post-pay account, that deposit will be applied to the outstanding balance on any post-pay account in the member's name. Any excess funds will be placed as a credit on the Prepay account.

If a member enrolls in Prepay service, the total amount of an existing payment arrangement will transfer to the Prepay account and installments will be paid as agreed by the existing arrangement, or by a revised installment schedule as agreed upon by the member and Shelby, until paid in full.

If a member has been disconnected for non-pay and chooses the Prepay service option for reconnect, the member will be offered a debt management plan for the outstanding balance. Seventy percent (70%) of any payment will be placed on future purchases while thirty percent (30%) will be applied towards retirement of the outstanding balance.

A prior member, who previously received service from Shelby and discontinued service without paying his/her final bill, (i.e. an uncollectible account/bad debt) will be required to pay the past-due amount prior to establishing prepay service. If the member is unable to pay the account balance in full, a debt management plan may be offered for the outstanding balance. Fifty percent (50%) of any payment will be placed on future purchases while fifty percent (50%) will be applied towards retirement of the outstanding balance.

Member Education Plan:

- A.** Promotion of Shelby's Voluntary Prepay Service to the general membership can occur by the following methods:
 - 1. Flyers;
 - 2. Banner-Ups;
 - 3. Facebook/Twitter;
 - 4. Shelby's Website at: www.shelbyenergy.com;
 - 5. Radio;
 - 6. Various other print advertising;
 - 7. Customer Service Representative promotion in-house and
 - 8. Community events by marketing team.

- B.** 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 available 24/7;
 5. Member choice and
 - a. This program will give members choice in when they pay and how much they pay
 6. DSM conservation.
- C. Once a member decides to enroll in the Prepay service, the member will be educated via a one-on-one consultation. The following details will be covered:
1. Explanation of Prepay service and above referenced benefits;
 2. Individual demonstration of accessing Shelby web portal to review usage information;
 3. Explanation of text and e-mail and/or text alerts the member will receive with information on the member's usage information;
 4. How to purchase additional kWhs;
 - a. Via web portal
 - b. Via telephone
 - c. Smart Phone App
 5. How to reconnect power if disconnected and
 6. How LIHEAP or other energy assistance is incorporated with Prepay service.

Miscellaneous:

If a member decides to leave the Prepay service and a credit is on the account, the credit can be refunded or applied to any other active account in the member's name. The member must inform the Cooperative in writing when the member wishes to terminate Prepay service.

SHELBY ENERGY COOPERATIVE, INC			
DEVELOPMENT OF ADDER FOR ADDITIONAL METER COSTS			
<u>Data comes from 2012 Cooperative's Form 7 except CP data</u>			
A. Development of a Fixed Charge Rate (Excludes Purchased Power Costs):			
	Expense		Fixed Rate
1	Depreciation		3.20%
2	Distribution Operations & Maintenance		4.99%
3	Administrative & General		2.59%
4	Total Costs - Distribution		10.78%
5	Return		5.78%
6	Annual Revenue Requirements		16.56%
	Monthly Fixed Rate (Excludes purchased power costs)		1.38%
B. Basis for Fixed Charge Rate Percentages:			
1. Depreciation Rate is the actual depreciation expense divided by year end investment in distribution plant as provided on RUS Form 7.			
	Depreciation Expense	Dist Plant	Ratio
	\$2,270,691	\$70,893,595	0.0320
2. Distribution O & M rate is the actual distribution O & M expense divided by the year end investment in distribution plant as provided on RUS Form 7.			
	Dist O&M	Dist Plant	Ratio
	\$3,535,618	\$70,893,595	0.0499
3. Admin & General expenses are divided by the year end investment in distribution plant.			
	A & G Exp	Dist Plant	Ratio
	\$1,836,268	\$70,893,595	0.0259

SHELBY ENERGY COOPERATIVE			
DEVELOPMENT OF ADDER FOR ADDITIONAL METER COSTS			
<u>Data comes from 2012 Cooperative's Form 7 except CP data</u>			
4. Return is based Actual Debt and Interest for the Test Year and Return on Equity based on TIER of 2.00. (Margins equal Interest Costs).			
<u>Capital Structure</u>			<u>%</u>
Debt	\$ 41,682,304		68.30%
Equity (Excludes GTCC)	19,344,330		31.70%
	61,026,634		100.00%
<u>Interest and Equity Computations</u>			
Interest on LTD Using Interest Costs for 2012		\$	1,762,335
Margins Would be Equal to Interest for 2.0 TIER		\$	1,762,335
		\$	3,524,670
<u>Return on Capital</u>			<u>Composite</u>
Return on Debt	4.23%		2.89%
Return on Equity	9.11%		2.89%
			5.78%
<u>C. Customer Charge Adder</u>			
1. Incremental Costs Associated with Prepay		\$	185.50
2. Annual Fixed Charge Rate from A. above			16.56%
3. Annual Costs for Distribution Lines		\$	30.71
4. Divide by 12 for monthly rate		\$	2.56
5. Plus Monthly Communication Fees (4 @ 10 Cents Each)		\$	0.40
6. Monthly Customer Cost/Charge		\$	2.96
	RECOMMENDED	\$	3.00