

**VERIFICATION**

The undersigned, Mary E. Purvis, being first duly sworn states that she is a Consultant for South Kentucky Rural Electric Cooperative, Inc.; and that she has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of her knowledge, information, and belief.

*Mary E. Purvis*

Mary E. Purvis, Consultant

COMMONWEALTH OF KENTUCKY )  
  )  
COUNTY OF PULASKI                                  )

Subscribed and sworn to before me by Mary E. Purvis, Consultant for South Kentucky Rural Electric Cooperative, Inc. this 2 day of October, 2013.

*Janice G. Baker*

Notary Public

ID: \_\_\_\_\_

My Commission Expires: 12-2-2013

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION  
PSC CASE NO 2013-00198  
DATED SEPTEMBER 20, 2013

Item Number 1  
Page 1 of 1  
Witness: Mary Elizabeth Purvis

**Question:**

1. Refer to Exhibit A of the Application, page 2, paragraph 4, which states, "Members may apply funds to their prepay account(s) by most methods as post pay and as listed on South Kentucky Rural Electric Cooperation's (SKRECC) website, [www.skrecc.com](http://www.skrecc.com), under the Prepay Electric."
  - a. Provide the methods of payment that are available to members who post pay.
  - b. Provide the methods of payment that will be available to prepay members.

**Response:**

- 1a. Methods of payment available to post pay members are as follows:
  - Cash
  - Credit Card
  - Debit Card
  - E-Check
  - Auto Draft
  - Levelized Billing
- 1b. Methods of payment available to prepay members are as follows:
  - Cash
  - Credit Card
  - Debit Card
  - E-Check

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Item Number 2

Page 1 of 1

Witness: Mary Elizabeth Purvis

**Question:**

2. Refer to Exhibit A (Prepay Metering Program) of the Application, pages 2-3, paragraph 9, which states, "A new member, who previously received service from SKRECC and discontinued service without paying his/her final bill, (i.e. an uncollectible account/bad debt) will be required to pay a minimum of 75% of the past due amount prior to establishing prepay service. The remaining balance will be subject to the 70/30 split until the unpaid debt is retired."
  - a. Explain whether South Kentucky is aware that no other jurisdictional Kentucky distribution cooperative has adopted a similar requirement that a minimum of 75 percent of the past due amount must be paid prior to establishing prepay service.
  - b. Explain why south Kentucky has included this requirement in its proposed tariff.

**Response:**

- 2a. South Kentucky is aware that other Kentucky distribution cooperatives have chosen to require that uncollectible/bad debt accounts be paid in full prior to establishing prepay service.
- 2b. Our goal is to allow the members to utilize the debt management feature of the prepay program to pay a portion of their uncollectible/bad debt account as a means of lowering the upfront cost.

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Item Number 3

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Witness: Mary Elizabeth Purvis

**Question:**

3. Refer to Exhibit B of the Application, page 3, paragraph 24, which states, "The Term of this agreement shall be for one (1) year.
- a. Explain what occurs if a customer terminates before the one year period has ended; if a charge will be assessed to the customer, provide cost support.
  - b. After the customer has completed the one-year term, explain if the contract converts to a month-to-month agreement.

**Response:**

- 3a. The customer will be allowed to terminate at any time upon written notification to SKRECC. No, a charge will not be assessed to the customer if a customer terminates before the one year period has ended.
- 3b. Yes, after the one-year term the contract continues month-to-month as prepay until SKRECC is notified in writing by the customer to terminate the service

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Item Number 4

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Witness: Mary Elizabeth Purvis

**Question:**

4. Refer to the Prepared Testimony of Mary Elizabeth Purvis ("Purvis Testimony"), page 2, the response to Question 9.
- a. Provide the make and model of the \$174.50 collar (switch).
  - b. Provide the make, model, and cost of the meter used in the prepay metering system.

**Response:**

- 4a. The make and model number of the disconnect collar (switch) is: Aclara Model #Y72190-311B
- 4b. The make, model, and cost of the meter are: General Electric Model I-210+ with an Aclara meter module. The cost of the meter with the module is \$106.50 each.

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Item Number 5

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Witness: Mary Elizabeth Purvis

**Question:**

5. Refer to page 3, Exhibit A, of the Purvis Testimony.
- a. Describe the \$76,815 substation hardware and explain its purpose.
  - b. Provide an analysis of how the 60.63 percent benefits rate was determined.
  - c. Provide an explanation of how the 10.85 percent overhead rate was determined.

**Response:**

- 5a. The substation hardware is composed of the following components.

<u>Substation Hardware</u>	<u>Cost</u>
Aclara	\$ 621,834
Pad Mounts	558,054
Power Line Carrier Equipment	1,156,091
Installation Elliot	168,180
Installation EKPC	<u>56,334</u>
	\$ 2,560,493
	<u>3%</u>
	\$ 76,815

The total \$2,560,493 is cost for all membership. The estimated participation is approximately 3 percent. Three percent of the total is \$76,815.

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**5b.** 60.63 percent is the actual benefits rate for 2011.

Benefits Costs	\$4,930,867
Payroll Costs	\$8,133,331
Percent	60.63%

**5c.** 10.85 percent is the actual costs for other items directly related to payroll for 2011.

Overhead Costs	\$ 882,668
Payroll costs	\$8,133,331
Percent	10.85%

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Item Number 6  
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Witness: Mary Elizabeth Purvis

**Question:**

6. Refer to page 4, Exhibit B, of the Purvis Testimony.
- a. Provide an analysis and breakdown of how the 6.5 percent interest and margin rate was determined.
  - b. Provide an analysis and breakdown of how the 10 percent hardware rate was determined.

**Response:**

- 6a. The 6.5 percent interest and margin rate was based on the interest rate and 2.0x TIER Margins.

Interest Rate	3.25%
Margins for TIER of 2.0x	<u>3.25%</u>
	6.50%

- 6b. The 10 percent for the hardware rate was based on estimates received from the manufacturers and past prepaid filings.



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Item Number 7

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Witness: Mary Elizabeth Purvis

**Question:**

7. Refer to page 4 of the Purvis Testimony.
- a. Provide cost support for the communications fees via texting or emailing calculated at \$0.04.
  - b. Explain what items are included in the \$0.69 per month charge for monthly software support.

**Response:**

- 7a. The four cents is the guaranteed voice communications amount that was provided by the vendor.
- 7b. The monthly software support fee pays for the maintenance that SKRECC must pay SEDC for the prepay software. The \$0.69 was calculated by dividing the monthly fee, \$1,380 by the estimated number of participants, 2,000.

Monthly cost for software support	\$1,370
Number of Members	<u>2,000</u>
Monthly cost per member	<u>\$ 0.69</u>

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Item Number 8

Page 1 of 2

Witness: Mary Elizabeth Purvis

**Question:**

8. Refer to page 5, the response to Question 10 and Exhibit D, of the Purvis Testimony.
- a. Explain whether South Kentucky charges post-pay customers a transaction fee to make payments.
  - b. Explain whether South Kentucky incurs any external costs for processing payments.
  - c. The response to Question 10 states that the cost estimate for the transaction fee is "calculated by finding the average cost for one CSR to make a transaction that on average lasts three minutes." Exhibit D calculates the fee using 24 as the number of transactions per hour. Explain why 24 was chosen if the average time to enter each transaction is 3 minutes.

**Responses:**

- 8a. No, SKRECC does not charge post-pay members a transaction fee to make payments. However, post-pay members pay their bill one time a month and with the prepay program, members are allowed to make an unlimited number of transactions and one of these transactions is free like with post pay members.
- 8b. Yes, SKRECC incurs credit card and bank charges for processing payments.

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- 8c.** Twenty-four was chosen based on 2.5 minute average transaction. If the three minute average is used, the cost per transaction increases from \$1.38 to \$1.65 (see table below). SKRECC still prefers to use the estimated transaction rate of \$1.25 as used for other prepaid programs in the state.

<b>Transaction Fee Processing</b>		
One CSR will average approximately three minutes per transaction		
Labor	\$ 19.25	\$19.25
Benefits	60.63%	\$11.67
OH	10.85%	<u>\$2.09</u>
		\$33.01
Number of transactions per hour		20
Cost per Transaction		<u>\$1.65</u>
Recommended		<u>\$1.25</u>