

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**APPLICATION OF SOUTH KENTUCKY)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR APPROVAL OF A) CASE NO. 2013-00198
PREPAY METERING TARIFF)**

APPLICATION

Comes South Kentucky Rural Electric Cooperative Corporation (“SKRECC” or “APPLICANT”), pursuant to KRS 278.160 and 807 KAR 5:011, and respectfully requests the Commission to approve its Prepay Metering Tariff. In support of this Application, SKRECC states as follows:

1. APPLICANT is engaged in the sale of electric power over its 6,755 miles of distribution line at retail rates to its approximately 66,259 meters in Pulaski, Wayne, McCreary, Cumberland, Lincoln, Rockcastle, Casey, Russell, Laurel, Clinton, and Adair Counties in Kentucky and Pickett and Scott Counties in Tennessee;
2. The address of APPLICANT is P.O. Box 910, Somerset, KY 42502, and its Articles of Incorporation, as amended, are on file with the Commission in PSC Case No. 1995-00383, In the Matter of An Application for Adjustment of Rates”;
3. This Application is made for the purpose of requesting Commission approval for an SKRECC Prepay Metering Program in accordance with the terms set forth in the proposed tariff filed herewith as “Exhibit A”: The email address of the Applicant for electronic filing purposes is sheila@gossamfordlaw.com;
4. The Prepay Metering Program shall be a completely voluntary program. A copy of the

“Agreement” for participation in this program is filed herewith as “Exhibit B”;

5. Explanation of the prepay tariff and program is described in the testimony of Mary Elizabeth Purvis and filed herewith as “Exhibit C”;
6. SKRECC’s Administration Policy for the Prepay Metering Program is filed herewith as “Exhibit D”;
7. SKRECC’s Cost Analysis for the Prepay Metering Program is filed herewith as “Exhibit E”;
8. The APPLICANT further requests a deviation from 807 KAR 5:006 Section 15(1)(f)1, which requires a written notice of service termination for non-payment, insofar as such notice would apply to this prepay metering program. It is the understanding of the APPLICANT that such a deviation has previously been approved in PSC case #2010-00210, PSC Case #2011-00141, and PSC Case #2012-00260 involving the tariff filings of Jackson Energy Cooperative, Nolin RECC, and Blue Grass Energy respectively, to establish prepaid electric service.

WHEREFORE, the APPLICANT respectfully requests that the Kentucky Public Service Commission grant approval to this Prepay Metering Program and approve the tariff attached hereto as "Exhibit A".

This 15th day of August, 2013.

Respectfully submitted,



Mark David Goss
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Lexington, Kentucky 40504
(859) 368-7740
mdgoss@gosssamfordlaw.com

*Counsel for South Kentucky Rural
Electric Cooperative Corporation*

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 testimony in support; and that the statements contained therein are true and correct to the best of her knowledge, information, and belief.




Mary E. Purvis, Consultant

COMMONWEALTH OF KENTUCKY

COUNTY OF SHELBY

Subscribed and sworn to before me by Mary E. Purvis, Consultant for South Kentucky Rural Electric Cooperative, Inc. this 30~~th~~ day of May, 2013.



Notary Public
ID: _____

My Commission Expires: 12-2-2013

South Kentucky RECC
PO Box 910
Somerset, KY 42502

FOR Entire Territory Served
Community, Town or City

P.S.C. KY. NO. 7

Original SHEET NO. T-38
CANCELING P.S.C. KY. NO. _____

SHEET NO. _____

CLASSIFICATION OF SERVICE

PREPAY METERING PROGRAM

STANDARD RIDER

This Prepay Electric Service is a rider to Rate Schedule A (Residential, Farm and Non-Farm Service) as defined by the Cooperative.

AVAILABILITY OF SERVICE

All Rate Schedule A (Residential, Farm and Non-Farm Service) accounts, excluding accounts on Levelized budget billing, auto draft, net metering, three phase accounts, and accounts greater than 200 amp service, within the territory of the Cooperative.

TYPE OF SERVICE

Prepaid Electric Service

RATES:

In addition of the Customer Charge and kWh charge for Rate Schedule A (Residential), there will be:

Monthly Program Fee \$ 9.00 (\$0.30 per day)

TERMS AND 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 joint memberships, only one member is required to sign the agreement) for each account enrolling in the Prepay Electric Service. The term of the agreement is for one year.

DATE OF ISSUE August 15, 2013

DATE EFFECTIVE Service rendered on and after September 15, 2013

ISSUED BY Edward Allen Anderson

TITLE President /CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION IN

CASE NO. 2013-00198 DATED _____

FOR Entire Territory Served
Community, Town or City

P.S.C. KY. NO. 7

Original SHEET NO. T-39
CANCELING P.S.C. KY. NO. _____

SHEET NO. _____

South Kentucky RECC
PO Box 910
Somerset, KY 42502

CLASSIFICATION OF SERVICE

PREPAY METERING PROGRAM – CONTINUED

2. To participate in the voluntary prepay program, members must confirm that he/she can receive communications from the cooperative, either by cellular telephone (texting) or electronically (e-mail).
3. At the time an account becomes a prepay account, the recommended initial payment for electricity is \$100. Members may apply funds to their prepay account(s) as they choose and as many times per month as they choose.
4. 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, under the Prepay Electric.
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 has neither a satisfactory credit history nor a sufficient deposit, the remaining credit will be transferred as a deposit to the unsecured account(s). This 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 70/30 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 SKRECC and discontinued service without paying his/her final bill, (i.e. an uncollectible account/bad debt) will be required to pay a

DATE OF ISSUE August 15, 2013

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ISSUED BY Edmund Allen Anderson

TITLE President /CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION IN

CASE NO. 2013-00198 DATED _____

FOR Entire Territory Served
Community, Town or City

P.S.C. KY. NO. 7

Original SHEET NO. T-40
CANCELING P.S.C. KY. NO. _____

SHEET NO. _____

South Kentucky RECC
PO Box 910
Somerset, KY 42502

CLASSIFICATION OF SERVICE

PREPAY METERING PROGRAM – CONTINUED

- 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.
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 such as green power. Charges such as program fee, customer charge, kWh, fuel adjustment, environmental surcharge, applicable taxes, franchise fees and security 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 requests their account to be changed from prepay to post pay, a deposit will be required as listed in SKRECC's rules and regulations as found on the Public Service Commission's Website, www.psc.gov under Tariffs, South Kentucky RECC.
 13. If a payment on a prepay account is returned for any reason, the account is subject to the return check charge listed in SKRECC's Rules and Regulations, 1st Revised Sheet R-5, item 2:70. 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 and/or reconnected.
 15. A monthly paper bill will not be mailed to members who receive prepay service. However, they may request a copy of their transaction report or may view it online through SKRECC's website, www.skrecc.com
 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.

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ISSUED BY Edward Allen Anderson

TITLE President /CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION IN

CASE NO. 2013-00198 DATED _____

FOR Entire Territory Served
Community, Town or City

P.S.C. KY. NO. 7

Original SHEET NO. T-41
CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

South Kentucky RECC
PO Box 910
Somerset, KY 42502

CLASSIFICATION OF SERVICE

PREPAY METERING PROGRAM – CONTINUED

17. When the amount of funds remaining on a prepay account reaches the established threshold of \$25 an automated message (text and/or email) will be sent to the member rather than a written notice sent by U.S. Mail.
18. All voluntary prepay accounts will not be eligible for Winter Hardship Reconnect, Certificate of Need, or Medical Certificate as outlined in 807 KAR 5:006, Sections 14, 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.
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, SKRECC 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.

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ISSUED BY Edward Allen Anderson

TITLE President /CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION IN

CASE NO. 2013-00198 DATED _____

SOUTH KENTUCKY RECC
AGREEMENT FOR PARTICIPATION IN PREPAY PROGRAM

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

The undersigned (hereinafter called the "Member") hereby applies for participation in the voluntary Prepay Program offered to members of South Kentucky RECC (Hereinafter called the "Cooperative"), and agrees with the Cooperative 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 and Electric Service continue to apply in addition to the terms and conditions for this Agreement and Prepay Program, subject, however, to any changes set forth in the 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 fee previously paid by the member to the Cooperative will be applied to the member's outstanding balance at the commencement of participation in the Prepay Program and any credit remaining after application of the deposit fee shall be applied to the member's Prepay account balance. However, if the member has another account(s) which does not have a satisfactory credit history, the remaining credit will be applied to the unsecured account(s). The deposit will only be refunded by applying it to the member's account(s) as described.
5. The member confirms that he/she can receive automated messages, (text and/or email) to be eligible for the prepay program.
6. 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 transaction report or view the bill online through the Cooperative's website, www.skrecc.com.
7. 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.
8. Funds may be added to the account by most methods listed on the Cooperative's website, www.skrecc.com.

9. If a member changes any 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 in writing. It is the member's responsibility to manage their own communication devices.
10. When the amount of funds remaining on a Prepay account reaches the established threshold of \$25, an automated message (text and/or email) will be sent to the member. A traditional, written notice sent by U.S. Mail will not be sent.
11. The member shall be responsible for regularly monitoring the balance on the Prepay account and understands that 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 amount.
12. Levelized budget billing, automatic payment draft, net metering, and ancillary services are not eligible for Prepay.
13. 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. If there are not sufficient funds to cover the returned item and fee, the account will be disconnected immediately.
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 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.
15. 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.
16. 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, the Cooperative recommends the member not utilize the prepay service.
17. 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.
18. If a member on 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. The member authorizes the Cooperative to transfer the outstanding 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.
- 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 post pay account refunds.
- 21. During any interruption, outages, and/or disconnection, the customer charge, prepay fee and security light charges will continue to accrue.
- 22. The undersigned agrees that Cooperative personnel has comprehensively explained this Prepay program and fully informed of all aspects of the program.
- 23. If a landlord agreement exists, the landlord must agree to the Prepay program in writing.
- 24. 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-prepay member for continued service.
- 25. To terminate the Prepay agreement, it must be in writing.

Member Signature: _____ SSN: _____ Date: _____

Member Signature: _____ SSN: _____ Date: _____

CSR Signature: _____ Date: _____

Preferred method of notification is (please circle one): Email / 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 SOUTH KENTUCKY)
RURAL ELECTRIC COOPERATIVE CORPORATION FOR) CASE NO.
APPROVAL OF A PREPAY METERING PROGRAM TARIFF) 2013-00198**

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 #2010-00210 for Jackson Energy Cooperative,
PSC Case #2011-00141 for Nolin RECC, and PSC Case #2012-00260 for Blue Grass
Energy to establish prepaid electric service.

Q7: How many members did South Kentucky RECC (SKRECC) use to estimate participation
in developing the rates contained in the proposed tariff?

A7: SKRECC is estimating that 2000 members will use the program. This number was calculated similarly to how Jackson Energy and Blue Grass Energy calculated theirs in that 2000 represent approximately three percent of its members. The timeframe obtaining this number of participants cannot be determined at the present time.

Q8: Please explain how the Prepay tariff Program works.

A8: SKRECC 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 as listed on SKRECC's website under the prepay tab. 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 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. They were calculated similarly to how the rates were calculated for Jackson Energy Prepay Filing Case Number 2010-00210, the Nolin RECC Prepay Filing Case Number 2011-00141, and the Blue Grass Energy Prepay Filing Case Number 2012-00260. SKRECC is estimating that 2,000 members will use the program. 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 hardware divided by the number of estimate participants. The \$174.50 is due to the collar (switch).
- Installation costs is the labor costs of setting up and installing the prepay metering and collar.
- Total per investment per member or direct investment sums to \$256.30.

EXHIBIT A

INVESTMENT IN EQUIPMENT			
Equipment Costs:	<u>Per Member</u>		
1. Hardware			
	Substation Hardware*	\$76,815	\$38.41
	Collar		<u>\$174.50</u>
	Subtotal		\$212.91
Installation Cost:			
2. CSR set up per member:			
	Labor 15 min.	19.25	\$4.81
	Benefits	60.63%	\$2.92
	OH	10.85%	\$0.52
3. Serviceman meter change per member:			
	Labor 45 min.	27.32	\$20.49
	Benefits	60.63%	\$12.42
	OH	10.85%	<u>\$2.22</u>
	Subtotal		\$43.39
	Investment per Member		<u>\$256.30</u>
*Based on 2000 participating Members			

- **Exhibit B: Annual expenses**

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

- Depreciation of AMR meter investment per member is at 15 yrs
- Interest expense of the AMR meter investment per member is 6.5 percent based on the current CFR 15 year rate
- Operations and Maintenance (O&M) expenses is 10 percent for the hardware cost. These O&M expenses are based on the Jackson Energy Prepay Filing Case Number 2010-00210, the Nolin RECC Prepay Filing Case Number 2011-00141 and the Blue Grass Energy Filing Case Number 2012-00260
- Total annual expenses are \$55.04 per member.

EXHIBIT B

Annual Expenses	
1. Depreciation	\$17.09
2. Interest & margin 6.5%	\$16.66
3. O & M	
Hardware - 10%	<u>\$21.29</u>
4. Annual Expenses	\$55.04
5. Monthly Expense per member	<u>\$4.59</u>

- Exhibit C: Monthly Expense per member
 - The monthly expenses are calculated to be \$4.59 per member.
 - Software support is an monthly fee of \$1,380, or \$0.69 per member
 - Communication fees via texting or emailing are calculated at \$0.04 each and in other programs, there is an average of four notices per month for a total of \$0.16
 - 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 Jackson Energy's, Nolin RECC's and Blue Grass Energy filings and SKRECC's calculations, the transaction fee is \$1.25 each; therefore, the total monthly transaction fee is \$3.75.
 - Total monthly rate per participant is proposed to \$9.00, which is less than the estimated cost per month which is \$9.19.

EXHIBIT C

Monthly Expenses		
1. Monthly expense per member		\$4.59
2. Monthly software support	\$1,380	\$0.69
3. Communication Fees	4 notices	\$0.16
4. Transaction Fees: 4 average per month, one free	\$1.25	\$3.75
5. Monthly Expense per Member		<u>\$9.19</u>
Recommend Monthly Program Fee		<u>\$9.00</u>

Q10: Is there a transaction fee proposed in this tariff?

A10: The proposed transaction fee is for each time a participant makes a deposit into its account. The proposed rate on these transactions is \$1.25 per transaction as illustrated in Exhibit D. The purpose of this transaction fee is to assist in the recovery of the costs of processing these transactions but to also encourage consumers to make as large a prepayment as feasible for them. The development of the costs estimate is based on the Nolin RECC, Jackson Energy, and Blue Grass Energy filings. It is calculated by finding the average cost for one CSR to make a transaction that on average lasts three minutes.

EXHIBIT D

Transaction Fee Processing		
One CSR will avg 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		24
Cost per Transaction		<u>\$1.38</u>
Recommended		\$1.25

Q11: Why is the transaction fee not calculated separate as a per time transaction fee?

A11: The transaction fee is included because the software does not support a separate per transaction fee.

Q12: Who is eligible?

A12: All Rate Schedules A (Residential, Farm and Non-Farm) accounts within the territory serviced by the Cooperative are eligible except the following:

- Accounts on Levelized Budget Billing
- Accounts on Autodraft
- 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

Q13 Please explain in more detail the balance monitoring and balance alerts for the Prepay Program.

A13: 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 automated 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.

Q14: When do disconnects occur?

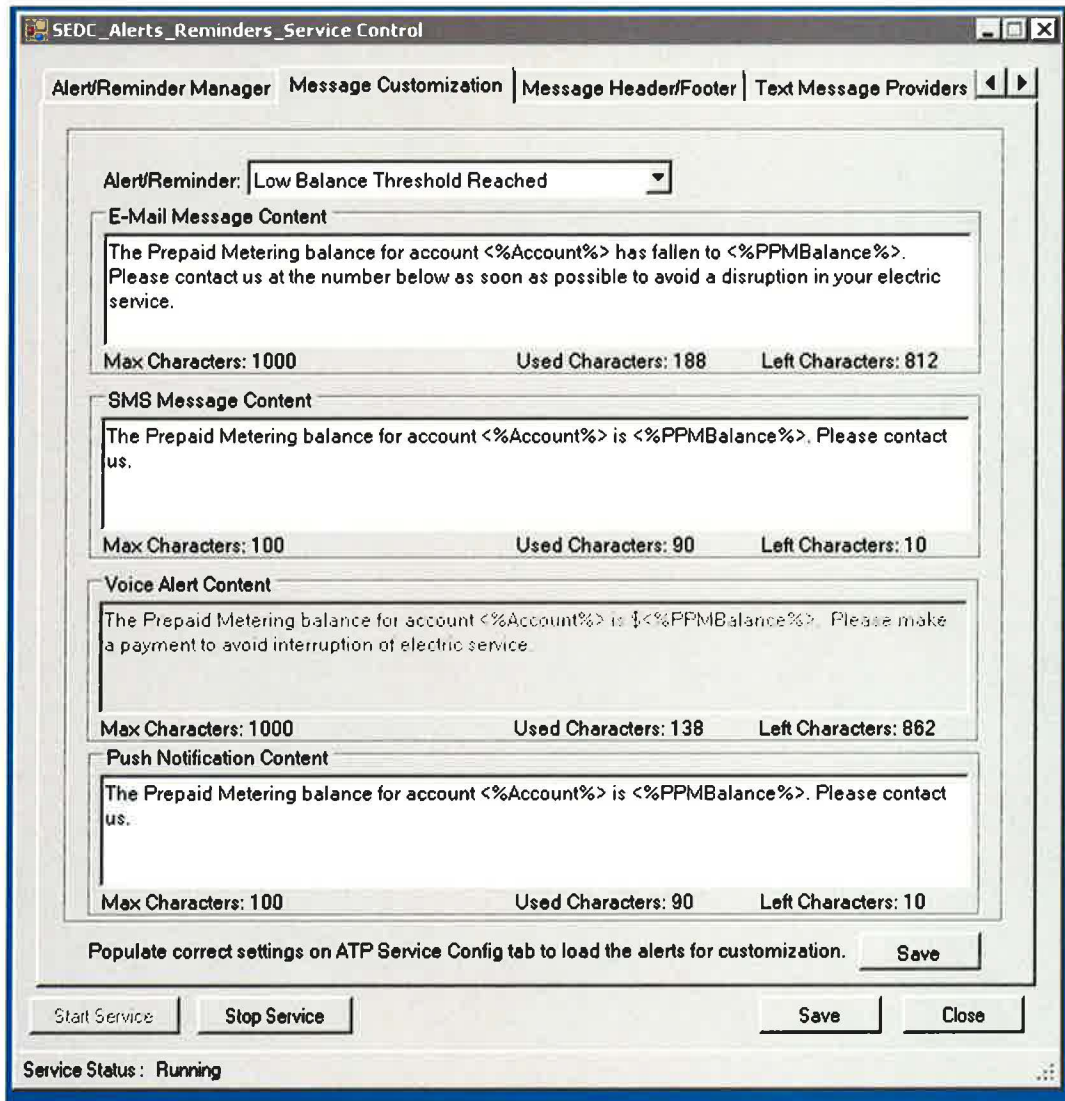
A14: A prepay account will be disconnected if the balance of the account reaches a negative balance. The account will be disconnected regardless of weather/temperature as the member is responsible for ensuring that the prepay account is adequately funded. Service will be reconnected once the prepay account 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.

Q15: How will communication be impacted during major outage situations?

A15: 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 SKRECC has restored power to all customers.

Q16: Please provide a screen print of the message content of emails and text messages.

A16: Please see below:



Q17: 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?

A17: Yes, SKRECC will consider exceptions to the one year requirement based on each individual member's circumstances.

Q18: Can an In-Home Display become part of this program?

A18: Yes, the software supporting the prepay program just recently introduced a compatible In-Home Display (IHD). However, due to the newness of the IHD and lack of adequate testing, South Kentucky is opting not to support the display. However, South Kentucky may add the IHD in the future if South Kentucky sees the need.

Q19: Who is not eligible for the prepay program?

A19: 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.

Q20: What are the benefits of the Prepay program?

A20: 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 (please see Jackson Energy Cooperative PSC Case #2011-00141). This helps to reduce the carbon footprint and supports the demand side management initiatives of SKRECC. Finally the program will allow SKRECC to lower expenses by reducing operating costs associated with connect/disconnect trips, write-offs and delinquent dept.

Q21: Is there any grant money used for this Prepay Program?

A21: Grant money was used for the AMI installation but not for the additional prepay program costs.

Q22: Does this conclude your testimony?

A22: Yes, this concludes my testimony.

South Kentucky Rural Electric Cooperative Administrative Guidelines Prepay Metering Program July 2013

Objectives:

The objectives of South Kentucky Rural Electric Cooperative's (SKRECC) Prepay 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 SKRECC
4. To make the program available to the general residential membership
5. To promote energy efficiency

The Tariff Document:

The tariff will be written as a rider to be attached to any approved SKRECC Rate Schedule A (Residential, Farm and Non-Farm) designed for the purpose of purchasing electric energy. The tariff rider may include in addition to the consumer charge and energy charge a monthly program fee.

Contracts/Agreements:

Each member opting for the prepay 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 with the exceptions specifically stated payments option.

The membership agreement will include a statement providing the prepay option and will require a signature.

The prepay 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. Any changes must be made in writing.

Charges and Assessments:

Non-energy charges such as a consumer charge will be pro-rated daily. The current monthly prepay charge is \$9.00. This spread over 30 days equals \$0.30 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.

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.

If a member converts from post paid to prepay 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 prepay account.

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

Member Education Plan:

SKRECC's voluntary prepay metering plan will be promoted to the general membership by the following venues:

1. Flyers
2. Banner-Ups
3. Facebook/Twitter
4. SKRECC's Website-www.skrecc.com
5. Radio
6. Various other print advertising
7. Customer Service Representative promotion in-house
8. Community events by marketing team
9. Smart Phone Application (App)

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. Disconnects and reconnects are a component of the prepay monthly program 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
6. DSM conservation

Once a member decides to enroll in the program, the member 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 SKRECC'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 smart phone/SKRECC app
 - i. Automated
 - ii. With a CSR/Operations personnel
5. How to reconnect power if disconnected
6. How LIHEAP is incorporated with prepay service

Miscellaneous:

If a member decides to leave the prepay 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. The member must inform the Cooperative in writing when leaving the prepay program.

INVESTMENT IN EQUIPMENT			
Equipment Costs:			<u>Per Member</u>
1. Hardware	(*)		
Substation Hardware		\$76,815	\$38.41
Collar			\$174.50
Subtotal			<u>\$212.91</u>
Installation Cost:			
2. CSR set up per member:			
Labor 15 min.		19.25	\$4.81
Benefits		60.63%	\$2.92
OH		10.85%	\$0.52
3. Serviceman meter change per member:			
Labor 45 min.		27.32	\$20.49
Benefits		60.63%	\$12.42
OH		10.85%	\$2.22
Subtotal			<u>\$43.39</u>
Investment per Member			<u>\$256.30</u>

Annual Expenses	
1. Depreciation	\$17.09
2. Interest & margin 6.5%	\$16.66
3. O & M	
Hardware - 10%	\$21.29
4. Annual Expenses	<u>\$55.04</u>
5. Monthly Expense per member	<u>\$4.59</u>

Monthly Expenses	
1. Monthly expense per member	\$4.59
2. Monthly software support	\$1,380 \$0.69
3. Communication Fees	4 notices \$0.16
4. Transaction Fees: 4 average per month, one free	\$1.25 \$3.75
5. Monthly Expense per Member	<u>\$9.19</u>
Recommend Monthly Program Fee	<u>\$9.00</u>

Transaction Fee Processing		
One CSR will avg approximatley three minutes per transaction		
Labor	\$ 19.25	\$19.25
Benefits	60.63%	\$11.67
OH	10.85%	\$2.09
		<u>\$33.01</u>
Number of transactions per hour		24
Cost per Transaction		<u>\$1.38</u>
Recommended		<u>\$1.25</u>
(*) Based on 2000 participating Members		