

INTER-COUNTY ENERGY COOPERATIVE CORPORATION
CASE NO. 2015-00311

RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION

Question 1. Refer to the Application, Exhibit A, and to the Prepared Testimony of James R. Adkins ("Adkins Testimony"), question 17. The Adkins Testimony states that a Prepay account customer would not be disconnected during the weekend or on a holiday should the customer's account reach a negative balance. The Adkins Testimony further states that such disconnections would take place on the following normal work day. Neither the proposed Prepay Service Tariff, attached as Exhibit A to the Application, nor the Prepay Service Agreement provides that disconnects will not occur on weekends or holidays. Explain why this information should not be included in the proposed Prepay Service Tariff and the Prepay Service Agreement.

Response 1. This information should be contained in the proposed tariff, as well as the proposed Prepay Service Agreement. This information has been included in Exhibit A, page 4 of 8, paragraph 19., Exhibit A, page 7 of 8, paragraph 15., and Exhibit B, page 2 of 2, Exhibit B, page 2 of 2, paragraph 15., all of which are attached.

Question 2. Refer to the Application, Exhibit A, pages 1 and 7 of 8. Paragraph 3 on page 1 provides that the Prepay Service Agreement will remain in effect until the Member notifies Inter-County otherwise. Paragraph 23 on page 7 states that the Prepay Service Agreement will be in effect for one year. Explain which statement is correct.

Response 2: The information on page 1 is the correct one, as this is the one preferred by Inter-County Energy Cooperative. Paragraph 23 on page 8 of Exhibit A and paragraph 23 on page 2 of Exhibit B have both been corrected to reflect the same statement that is stated in page 1, paragraph 3 of Exhibit A. The corrected Exhibit A and Exhibit B are attached.

INTER-COUNTY ENERGY COOPERATIVE CORPORATION

CASE NO. 2015-00311

RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION

Question 3. Refer to the Application, Exhibit A, page 3 of 8, and to Exhibit D, page 2 of 3. Paragraph 12 of Exhibit A provides that “[a] prior Member, who previously received service from Inter-County Energy and discontinued service without paying his/her final bill (i.e. an uncollectible account/bad debt)” would have future payments split 50/50, with 50 percent of those payments being applied to new purchases and 50 percent being applied to the prior outstanding balance. Exhibit D, however, states that future payments would be split 70/30 under the same scenario.

a. State which is the correct allocation.

Response 3a: Exhibit A is correct as Inter-County Energy Cooperative prefers the 50/50 split.

b. If the information contained in Exhibit D is incorrect, provide a corrected version of Exhibit D.

Response 3b: Attached to this response is a corrected Exhibit D.

Question 4. Refer to the Application, the Adkins Testimony, question 7, which states that Inter-County estimates that approximately 800 of its Members will use the program. Provide what percentage of Inter-County's total Residential class those 800 Members represent.

Response 4: These 800 members would represent approximately a little more than 4% of the total members of the Residential class.

Question 5. Refer to the Application, the Adkins Testimony, Tables A and D, pages 3 and 5, respectively. Provide supporting calculations for the use of 90 percent of labor costs as the estimation for benefits when calculating the installation and transaction costs.

Response 5: Inter-County made an error in the calculation of the percentage of labor costs as the estimation of benefits when calculating the installation and transaction costs. Actual payroll from January 1, 2015 through September 30, 2015 is \$3,094,447. Actual benefits for the same period of time is \$2,428,955. Dividing total benefits by total payroll, we arrive at 0.78% or 80% (rounded up) of labor cost for benefits used in the calculation of installation and transaction costs. The supporting calculations have been revised in Tables A, B, C, D and Exhibit E, which are attached.

INTER-COUNTY ENERGY COOPERATIVE CORPORATION

CASE NO. 2015-00311

RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION

Question 6. Refer to the Application, the Adkins Testimony, Exhibit E, Table B, page 4. Provide an explanation for the use of “(2.19% x 2)” to calculate Interest and Margins, when the description for Table B states, “Interest Expense of 4.52 percent based on the current FFB 10 year rate.”

Response 6: The calculation of “(2.19% x 2)” is correct as it represents the FFB rate plus a margin amount for Times Interest Earned Ratio (“TIER”) OF 2.0X. The statement that the “Interest Expense of 4.52 percent” should have read as “an Interest Expense of 2.19 percent plus a margin equal to interest of 2.19 percent”.

Question 7. Refer to the Application, the Adkins Testimony, question 10.
a. Explain how including a built-in transaction fee in the Prepay Service Fee will encourage members to make as large a prepayment as feasible.

Response 7a: The built-in transaction fee will not necessarily insure as large a prepayment as feasible but it does insure that Inter-County Energy Cooperative will recover its costs for these types of transactions. It will encourage our Members to make reasonable size payments, and will hopefully insure that they make no more than four in a single month.

b. Explain whether Inter-County's software will permit a separate transaction fee.

Response 7b: Inter-County's current software will not permit a separate transaction fee.

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 7
ORIGINAL SHEET NO. 48

CANCELLING P.S.C. KY. NO. _____
REVISION # SHEET NO. _____

INTER-COUNTY ENERGY
(Name of Utility)

PREPAY SERVICE

STANDARD RIDER

Inter-County Energy's Prepay Service ("Prepay") is an optional rider to Rate Schedule 1 – Residential Service as defined by the Cooperative.

AVAILABILITY

All Rate Schedule 1 – Residential Service, excluding accounts on Levelized/Fixed Budget, Automatic Bank Draft, Net Metering, and three-phase accounts within the territory served by Inter-County Energy.

MONTHLY RATE

Customer Facility Charge	\$8.97 (\$0.299 per day)
Energy Charge per kWh	\$0.09421
Prepay Service Fee	\$8.50 (\$0.283 per day)

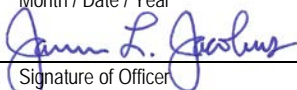
TERMS & CONDITIONS

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 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 shall sign a Prepay Service Agreement ("Agreement"). The Agreement shall remain in effect until the Member notifies Inter-County Energy, in writing, to cancel the Agreement.

DATE OF ISSUE September 25, 2015
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY 
Signature of Officer

TITLE President/CEO

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 7
ORIGINAL SHEET NO. 48A

CANCELLING P.S.C. KY. NO. _____
REVISION # SHEET NO. _____

INTER-COUNTY ENERGY

(Name of Utility)

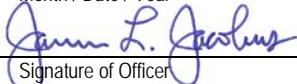
PREPAY SERVICE

(continued)

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 Inter-County 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.
5. Any special equipment issued to the Member for participation in Prepay 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 Customer Facility Charge and Energy Charge will be the same as Inter-County 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 Customer Facility Charge and Prepay Service Fee will be prorated 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 update.
8. The Prepay account will not be subject to deposits, late fees, disconnect fees and reconnect fees.
9. At the time Prepay is activated for an account, the initial purchase 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 \$25.00. Members may apply funds to their Prepay account(s) by most methods as post pay and include the following: credit card, debit card, check and cash. Payment can be made via the website, phone, and in person at one of Inter-County Energy's offices. Payment methods are listed on Inter-County Energy's website www.intercountyenergy.net.
10. When an existing Member selects to participate in Prepay 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.

DATE OF ISSUE September 25, 2015
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY 
Signature of Officer

TITLE President/CEO

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 7
ORIGINAL SHEET NO. 48B

CANCELLING P.S.C. KY. NO. _____
REVISION # SHEET NO. _____

INTER-COUNTY ENERGY

(Name of Utility)

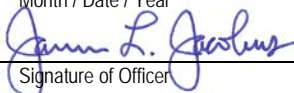
PREPAY SERVICE

(continued)

11. If a Member who has not participated in Prepay is disconnected for non-payment, the Member may request to be reconnected and enrolled in Prepay. If the Member is unable to pay the account balance in full for the disconnected account, a payment plan whereby future purchases for Prepay will be split 70/30 until the old debt is retired will be established. Seventy percent (70%) of the payments will be applied to new purchases and thirty percent (30%) will be applied towards retirement of the previous balance minus any applicable deposit.
12. A prior Member, who previously received service from Inter-County Energy 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 payment plan whereby future purchases for Prepay will be split 50/50 until the old debt is retired will be established. Fifty percent (50%) of the payments will be applied to new purchases and fifty percent (50%) will be applied towards retirement of the previous balance.
13. Once an account is enrolled in Prepay, the account will no longer be eligible for additional payment arrangements.
14. 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 official documents of commitment from the agency providing assistance.
15. 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.
16. If a payment on a Prepay account is returned for any reason, the account is subject to the service fee as provided in Inter-County Energy's Rules and Regulations.
17. Members presenting a Winter Hardship Reconnect, Certificate of Need or Medical Certificate as provided in 807 KAR 5:006, Sections 14, 15 and 16 will be removed from Prepay and the account will return to the status of a post-pay account.

DATE OF ISSUE September 25, 2015
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY 
Signature of Officer

TITLE President/CEO

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 7
ORIGINAL SHEET NO. 48C

CANCELLING P.S.C. KY. NO. _____
REVISION # SHEET NO. _____

INTER-COUNTY ENERGY
(Name of Utility)

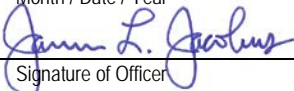
PREPAY SERVICE

(continued)

- 18. A monthly paper bill will not be mailed to a Member who elects to participate in Prepay. The Member may view their Prepay account status on Inter-County 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.
- 19. A Prepay account will be disconnected if the balance of the account reaches a negative balance. The account will be disconnected regardless of weather or 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.
- 20. If a Prepay account is disconnected due to lack of funds or any other reason, Inter-County Energy 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.
- 21. 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.
- 22. If a request is made to disconnect the service at a Prepay account, any remaining balance will be transferred to other active account(s), if applicable, or refunded in the form of a check.
- 23. 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.
- 24. Members may check the status of a Prepay account by utilizing Inter-County Energy's website or by calling the office at any time.
- 25. 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.

DATE OF ISSUE September 25, 2015
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY 
Signature of Officer

TITLE President/CEO

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 7
ORIGINAL SHEET NO. 48D

CANCELLING P.S.C. KY. NO. _____
REVISION # SHEET NO. _____

INTER-COUNTY ENERGY

(Name of Utility)

PREPAY SERVICE

(continued)

**INTER-COUNTY ENERGY COOPERATIVE CORPORATION
AGREEMENT FOR PREPAY SERVICE**

Member Name	_____	Home Phone	_____
Account No.	_____	Cell Phone	_____
Service Address	_____	Cell Carrier	_____
	_____	Email	_____

The undersigned (hereinafter called the "Member") hereby applies for participation in the voluntary Prepay service offered to Members of Inter-County Energy Cooperative Corporation (hereinafter called the "Cooperative"), and agrees to the following terms and conditions:

1. The Member shall purchase electric energy from the Cooperative in accordance with the present and any future rate schedule of the Cooperative on a Prepay basis for the above referenced account.
2. The Member understands that the terms and conditions set forth in the Member's Application for Membership continue to apply in addition to the terms and conditions of this Agreement for Prepay 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. 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 customer charge. 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.

DATE OF ISSUE September 25, 2015
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY 
Signature of Officer

TITLE President/CEO

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 7
ORIGINAL SHEET NO. 48E

CANCELLING P.S.C. KY. NO. _____
REVISION # SHEET NO. _____

INTER-COUNTY ENERGY
(Name of Utility)

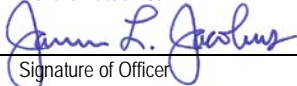
PREPAY SERVICE

(continued)

7. During any interruption, outage and/or disconnections, the customer charge, Prepay fee and any security light charges will continue to accrue.
8. If a Member changes any of the contact information (i.e. email 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.
9. 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).
10. 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.
11. Budget billing, automatic draft, net metering and three-phase accounts are not eligible for Prepay service.
12. 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 as referenced in the Cooperative's PSC approved Rules and Regulations 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.
13. 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 damages arising from such a reconnection.
14. 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.

DATE OF ISSUE September 25, 2015
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY 
Signature of Officer

TITLE President/CEO

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 7
ORIGINAL SHEET NO. 48F

INTER-COUNTY ENERGY
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____
REVISION # SHEET NO. _____

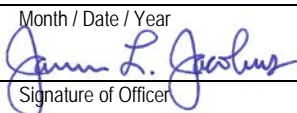
PREPAY SERVICE

(continued)

15. A Prepay account will be disconnected if the balance of the account reaches a negative balance. The account will be disconnected regardless of weather or 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.
16. 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 official documents of commitment from the agency providing assistance.
17. 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.
18. 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 account 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.
19. For a prior Member who previously received service from Inter-County Energy and discontinued service without paying his/her 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 the Prepay program, fifty (50%) of any payments made on this account in the future shall be applied to the balance until said uncollectable account/bad debt is paid in full. The Member authorizes the cooperative to transfer the uncollectable account/bad debt balance of \$_____ to the Prepay account.
20. A Prepay account shall not be eligible for future payment plan arrangements.
21. 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.

DATE OF ISSUE September 25, 2015
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY 
Signature of Officer

TITLE President/CEO

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 7
ORIGINAL SHEET NO. 48G

CANCELLING P.S.C. KY. NO. _____
REVISION # _____ SHEET NO. _____

INTER-COUNTY ENERGY
(Name of Utility)

PREPAY SERVICE

(continued)

- 22. The Member, by signing this agreement, confirms the ability to receive electronic communications which is required to be eligible for the Prepay service.
- 23. The Prepay Agreement shall remain in effect until the Member notifies Inter-County Energy, in writing, to cancel the Agreement. If Prepay service is ended, the Member must meet the requirements of a post-pay account for continued service.
- 24. Members may apply funds to a Prepay account by most payment methods available for post-pay service and provided on Inter-County Energy's website at: www.intercountyenergy.net.
- 25. The undersigned agrees that Cooperative personnel has comprehensively explained this Prepay program and have fully informed the Member of all aspects of the program.

Member Signature: _____ SSN: _____ Date: _____

Member Signature: _____ SSN: _____ Date: _____

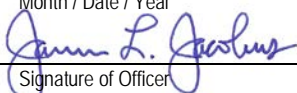
CSR Signature: _____ Date: _____

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

Office Use Only	
SO Number _____	Date Installed _____
Customer No. _____	Initials _____
Comments _____	

DATE OF ISSUE September 25, 2015
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY 
Signature of Officer

TITLE President/CEO

INTER-COUNTY ENERGY COOPERATIVE CORPORATION
AGREEMENT FOR PREPAY SERVICE

Member Name	_____	Home Phone	_____
Account No.	_____	Cell Phone	_____
Service Address	_____	Cell Carrier	_____
	_____	Email	_____

The undersigned (hereinafter called the "Member") hereby applies for participation in the voluntary Prepay service offered to members of Inter-County Energy Cooperative Corporation (hereinafter called the "Cooperative"), and agrees to the following terms and conditions:

1. The Member shall purchase electric energy from the Cooperative in accordance with the present and any future rate schedule of the Cooperative on a Prepay basis for the above referenced account.
2. The Member understands that the terms and conditions set forth in the Member's Application for Membership continue to apply in addition to the terms and conditions of this Agreement for Prepay 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. 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 customer charge. 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. During any interruption, outage and/or disconnections, the customer charge, Prepay fee and any security light charges will continue to accrue.
8. If a Member changes any of the contact information (i.e. email 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.
9. 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).
10. 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.
11. Budget billing, automatic draft, net metering, three-phase accounts are not eligible for Prepay service.
12. 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 as referenced in the Cooperative's PSC approved Rules and Regulations 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.
13. 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 damages arising from such a reconnection.

14. 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.
15. A Prepay account will be disconnected if the balance of the account reaches a negative balance. The account will be disconnected regardless of weather or 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.
16. 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 official documents of commitment from the agency providing assistance.
17. 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.
18. 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 account 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.
19. For a prior Member who previously received service from Inter-County Energy and discontinued service without paying his/her 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 the Prepay program, fifty (50%) of any payments made on this account in the future shall be applied to the balance until said uncollectable account/bad debt is paid in full. The Member authorizes the cooperative to transfer the uncollectable account/bad debt balance of \$_____ to the Prepay account.
20. A Prepay account shall not be eligible for future payment plan arrangements.
21. 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.
22. The Member, by signing this Agreement, confirms the ability to receive electronic communications which is required to be eligible for the Prepay service.
23. The Prepay Agreement shall remain in effect until the Member notifies Inter-County Energy, in writing, to cancel the Agreement. If Prepay service is ended, the Member must meet the requirements of a post-pay account for continued service.
24. Members may apply funds to a Prepay account by most payment methods available for post-pay service and provided on Inter-County Energy's website at: www.intercountyenergy.net.
25. The undersigned agrees that Cooperative personnel has comprehensively explained this Prepay program and have fully informed the Member of all aspects of the program.

Member Signature: _____ SSN: _____ Date: _____

Member 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 CASE NO. 2015-00311

**THE APPLICATION OF INTER-COUNTY ENERGY COOPERATIVE FOR
APPROVAL OF A PREPAY SERVICE PROGRAM TARIFF**

Prepared Testimony of James R. Adkins

Q1: State your name and business address.

A1: I am James R. Adkins and my business address is 2189 Roswell Dr., Lexington, KY 40513.

Q2: What has been your role in this tariff?

A2: My role in this application has been to assist in the development of the tariff and the rates proposed in the tariff.

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

A3: I am self-employed as a utility rate consultant. I was employed by East Kentucky Power Cooperative ("EKPC") for twenty-five years in the area of rates. I was employed for over one year with the Prime Group and I have been independent for over 13 years.

Q4: What is your educational background?

A4: I have two degrees from the University of Kentucky. I have a Bachelor of Science in Commerce with a Major in Finance and a Master's Degree in Accounting.

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

A5: Yes, I have appeared as a witness before this Commission in many cases representing cooperatives in the state of Kentucky.

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 No. 2012-00260 for Blue Grass Energy and PSC Case No. 2014-00256 for Licking Valley Electric.

Q7: How many members does Inter-County Energy Cooperative (“Inter-County”) use to estimate participation in developing the rates contained in the proposed tariff?

A7: Inter-County is estimating that approximately 800 members will use the program. The number of members used to develop the proposed rates is similar to what others have anticipated in their filings before this Commission. The actual number of participating members cannot be explicitly stated at the current time.

Q8: Please explain how the Prepay Service Tariff program works.

A8: Inter-County’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 as listed on Inter-County’s website. The amount deposited is then available for viewing on the web portal. 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 web portal. 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 is then expected to deposit additional money into the account. If the account balance reaches a negative amount, service will then be disconnected. Once a payment is made, service will then resume. Service disconnection and reconnection will be automatic with the installation of an AMI meter equipped with a disconnect feature. 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: Below provides the basis and the computation of the proposed rates followed by an explanation:

- **Table A:** The Investment Per Member (Assuming 800 Participants)

This table provides the calculations for the cost of the Prepay Service program.

- Inter-County does not have any software equipment costs. The Prepay software is already embedded into the current billing software. The current billing software is Southeastern Data Cooperative (SEDC).
- The investment per member amounts to \$102.66.
- Installation costs include the labor costs of setting up and installing the AMI meter, which includes a disconnect collar.
- Total investment per member or direct investment is \$140.14.

TABLE A		
<u>Equipment Costs</u>		<u>Per Member</u>
1. Software for Program		
- Prepay Software		\$ -
2. Hardware		
- New Disconnect AMI Meter	\$ 223.24	\$ 223.24
- Less Old Meter Cost	\$ 120.58	\$ 120.58
- Additional Meter Cost		\$ 102.66
 <u>Installation Cost</u>		
1. CSR Setup Per Member		
- Labor 15 Min.	\$ 20.78	\$ 5.20
- Benefits	80.0%	\$ 4.16
2. Field Service Representative Charge Per Member		
- Labor 30 Min.	\$ 31.25	\$ 15.63
- Benefits	80.0%	<u>\$ 12.50</u>
3. Investment Per Member		\$ 140.14

- **TABLE B: Annual Expenses**

Annual expenses are calculated based on the investment per member in Table A.

- Depreciation of AMI meters based on useful life of 15 years.
- Interest Expense of 2.19 percent plus a margin equal to interest of 2.19 percent.
- Operations and Maintenance (O&M) expenses are 20 percent for the software and 10 percent for the hardware. These O&M expenses are based on the Licking Valley, Jackson Energy and Blue Grass Energy filings and come from estimates made by the vendor.

TABLE B	
Annual Expenses Based on 15-Year Life	
1. Depreciation	\$ 9.34
2. Interest & Margins (2.19% x 2)	\$ 6.14
3. O & M	
- Software – 20%	
- Hardware – 10%	<u>\$ 10.27</u>
4. Annual Expenses	\$ 25.75
5. Monthly Expense Per Member	\$ 2.15

- **TABLE C: Monthly Expense Per Member**

- The monthly expenses are calculated to be \$2.15 per member for investment.
- There are no additional monthly software fees as the monthly fee is for all billed customers.
- Communication fees via text or email are calculated at \$0.10 each. There is an anticipated average of four notices per month for a total of \$0.40.
- Transaction fees with four per month with one free is calculated at \$1.87 per transaction for a total of \$5.61 per month.
- Total monthly rate per participant is proposed to be \$8.20, which is four cents more than the estimated cost per month, which is \$8.16.

TABLE C		
1. Monthly Expense Per Member (From Table B)		\$ 2.15
2. Prepay Software Support		\$ -
3. Communication Fees	4 Notices	\$ 0.40
4. Monthly Expense Per Member		\$ 2.55
5. Transaction Fees (4 W/One Fee)	\$1.87	\$ 5.61
6. Monthly Expense With Transaction Fee		\$ 8.16
Recommendation		\$ 8.20

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

A10: No, the transaction fee is part of the proposed rate. The proposed transaction fee is for each time a participant makes a deposit into their account. The proposed rate on these transactions is \$1.87 per transaction as illustrated in Table D. The purpose of this transaction fee is to assist in the recovery of the incurred costs of processing these transactions and to also encourage consumers to make as large a prepayment as feasible. The development of these costs estimate is based on PSC Case No. 2012-00260 for Blue Grass Energy and PSC Case No. 2013-00403 for Owen Electric. It is calculated by finding the average cost for one CSR to make a transaction that on average lasts three minutes.

TABLE D		
Transaction Fee Processing		
One CSR will average approximately three minutes per transaction.		
Labor	\$ 20.78	\$ 20.78
Benefits	80.0%	\$ 16.62
		\$ 37.40
Number of Transactions Per Hour		20
Cost Per Transaction		\$ 1.87

Q11: Please discuss the proposed AMI meter equipped with the disconnect feature and how it differs from a disconnect collar coupled with a meter used in other Prepay programs.

A11: Individual disconnect collars are no longer available and are only sold embedded in the meter. Inter-County will install a new meter that has a disconnect device embedded within the meter. Inter-County's incremental cost of the AMI meter with the disconnect device is \$102.66. Table A contains the details on the cost difference in the new meter and the old meter.

Q12: Who is eligible for Prepay at Inter-County?

A12: Rate Schedule 1 – Residential Service members within the territory serviced by the Cooperative are eligible except the following:

- Accounts on Levelized or Fixed Budget Billing
- Accounts on Automatic Bank Draft
- Accounts on Net Metering
- Accounts with Ancillary Services
- Three Phase Accounts
- Accounts with a 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 in their Prepay account. The account will be adjusted daily and will be available for viewing on the internet usage web page or by calling Member Accounts. Updates will occur once daily. When the amount of funds remaining on the Prepay account reaches the established threshold of \$25.00, an automated message will be sent to the member. This threshold amount was chosen because it will be a uniform amount across the program for all users. The amount of \$25.00 was selected because it represents an average of four days' estimated usage. A monthly paper bill will not be mailed to members who receive Prepay service nor will a delinquent notice be mailed on Prepay accounts.

Q14: Please provide a summary of the meter utilized.

A14: Please see Exhibit C-1 for an example.

Q15: Please provide a screen print of all screens available on the computers of participants in the Prepay program.

A15: Please see Exhibit C-2 for an example.

Q16: Please provide an example of an automated text and e-mail.

A16: Please see Exhibit C-3 for an example.

Q17: When do disconnects occur?

A17: A Prepay account will be disconnected if the balance of the account reaches a negative balance. The account will be disconnected regardless of weather or 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.

Q18: How will communication be impacted during major outage situations?

A18: 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 the Prepay program will be suspended until Inter-County has restored power to all customers.

Q19: 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?

A19: Yes based on individual circumstances. No charge will be assessed, however, a deposit may be required based on Inter-County's Rules and Regulations.

Q20: Who is not eligible for the Prepay program?

A20: 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 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.

Q21: Can an in-home display (IHD) be part of this program?

A21: At this time, Inter-County does not plan utilizing an IHD as it does not see a demand for such a device.

Q22: Are there any exceptions to the rule of disconnecting service if the account balance becomes negative during periods of extreme temperatures?

A22: Weather extremes will be considered on a case by case basis. Inter-County 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.

Q23: What are the benefits of the Prepay program?

A23: 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 as well as containing conservation benefit. This helps to reduce the carbon footprint and supports the demand side management initiatives of Inter-County. Finally the program will allow Inter-County to lower expenses by reducing operating costs associated with connect/disconnect trips, write-offs and delinquent debt. The exact savings associated with these benefits cannot be determined at this time due to the uncertainty of developing an estimate at this time.

Q24: How will Prepay be promoted?

A24: Inter-County plans to utilize a variety of communication means to promote the Prepay program to its membership. The Prepay program will be promoted through the Cooperative's newsletter and other print advertising, social media, website (www.intercountyenergy.net), promotional banners used in its offices and drive-thru windows, and via one-on-one member consultations with Member Accounts Representatives. Inter-County's member education plan will focus on the expanded benefits the voluntary Prepay program affords its members. These benefits include:

- Expanded member choice for personal budgeting (gives members expanded options in when they pay and how much they pay).
- Avoid potential deposits.
- Avoid potential late payment, disconnect and reconnect fees.
- DSM conservation (as members become more aware of their usage they have the opportunity to adjust accordingly).

Q25: Is there any grant money used for this Prepay program?

A25: No.

Q26: Does this conclude your testimony?

A26: Yes, this concludes my testimony.

Inter-County Energy Cooperative, Inc. Prepay Service Program

Administrative Guidelines

Objectives:

The objectives of the Inter-County Energy Cooperative, Inc., (Inter-County) Prepay Service Program (“Prepay”) are the following:

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 overall financial stability of Inter-County.
4. To make the program available to the general residential membership.
5. To promote energy efficiency.

The Tariff Document:

The tariff is written as a rider to Rate Schedule 1 – Residential Service of Inter-County. The tariff rider also includes a monthly program fee in addition to the customer charge per month and energy charge per kWh.

Contracts/Agreements:

Each member selecting the Prepay 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 required to pay a membership fee and be entitled to all available benefits with the exceptions of the specifically stated payment options.

Each member selecting the Prepay service option must sign a *Prepay Service Agreement* (“Agreement”).

The Agreement will be for a minimum length of 12 months. However, at any time after the 12 month minimum has passed a member may request to revert back to a traditional post pay account, at which time the member may be subject to a deposit based on their credit history. Any request for changes must be made in writing.

Charges and Assessments:

Non-energy charges such as a consumer customer charge will be pro-rated daily. The current monthly Prepay service fee is \$8.50. 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 \$25.00.

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. Also if the member has any account(s) which does not have a satisfactory credit history any remaining credit will be transferred as a deposit to the unsecured account(s). If none of these exceptions are applicable to the member the 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 existing payment arrangement will default to a payment arrangement where 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

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 Inter-County 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 will be considered for the outstanding balance. Seventy percent (50%) of any payment will be placed on future purchases while thirty percent (50%) will be applied towards retirement of the outstanding balance.

Member Education Plan:

- A. Inter-County's voluntary Prepay service will be promoted to the general membership by the following venues:
 - 1. Flyers
 - 2. Banner-Ups
 - 3. Inter-County's Website at: www.intercountyenergy.net
 - 4. Radio
 - 5. Various Other Print Advertising
 - 6. Member Accounts Representatives Promotion In-Office
 - 7. 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/Disconnect 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
 - a. This program will give members choice in when they pay and how much they pay.
 6. Demand Side Management (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 Inter-County's website 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 energy in kWhs.
 - a. Via Website
 - b. Via Telephone With A Cooperative Representative
 5. How to reconnect power if disconnected.
 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 Inter-County in writing when the member wishes to terminate Prepay service.

INTER-COUNTY ENERGY COOPERATIVE CORPORATION, INC.

PREPAY COSTS ANALYSIS

Monthly Charge

		<u>Per Member</u>
Equipment Costs:		
1.	Software for Program (*) Prepay Software	\$ -
2.	Hardware (*)	
	New Disconnect AMI Meter	\$ 223.24
	Less Old Meter Cost	\$ 120.58
	Additional Meter Cost	\$ 102.66

Installation Costs:

1.	CSR Setup Per Member:		
	Labor 15 Min.	\$ 20.78	\$ 5.20
	Benefits 80.0%		\$ 4.16
2.	Field Service Representative Charge Per Member:		
	Labor 30 Min.	\$ 31.25	\$ 15.63
	Benefits 80.0%		\$ 12.50
3.	Investment Per Member		<u>\$ 140.14</u>

Annual Expenses Based on 15 Year Life

1.	Depreciation		\$ 9.34
2.	Interest & Margins (2.19% x 2)		\$ 6.14
3.	O & M		
	Software – 20%		
	Hardware – 10%		\$ 10.27
4.	Annual Expenses		\$ 25.75
5.	Monthly Expense Per Member		\$ 2.15
6.	Prepay Software Support		\$ -
7.	Communication Fees	4 Notices	\$ 0.40
8.	Monthly Expense Per Member		\$ 2.55
9.	Transaction Fees (4 W/One Free)	\$ 1.87	\$ 5.61
10.	Monthly Expense With Transaction Fee		<u>\$ 8.16</u>
	Recommendation		<u>\$ 8.20</u>

(*) Based on 800 Participating Members

Transaction Fee Processing

One CSR will avg approximately three minutes per transaction.

Labor	\$ 20.78	\$ 20.78
Benefits 80.0%		\$ 16.62
		\$ 37.40
Number of Transactions Per Hour		20
Cost Per Transaction		<u>\$ 1.87</u>

(*) Based on 800 Participating Members