

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

**ELECTRONIC TARIFF FILING OF TAYLOR
COUNTY RURAL ELECTRIC COOPERATIVE
CORPORATION TO IMPLEMENT A PREPAY
METERING PROGRAM**

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**Case No.
2020-00278**

DIRECT TESTIMONY

OF

**JOHN WOLFRAM
PRINCIPAL
CATALYST CONSULTING LLC**

ON BEHALF OF

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

FILED: August 20, 2020

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**DIRECT TESTIMONY
OF
JOHN WOLFRAM**

5 **I. INTRODUCTION**

6 **Q. Please state your name, business address, and position.**

7 A. My name is John Wolfram. I am the Principal of Catalyst Consulting LLC. My
8 business address is 3308 Haddon Road, Louisville, Kentucky, 40241.

9 **Q. On whose behalf are you testifying?**

10 A. I am testifying on behalf of Taylor County Rural Electric Cooperative Corporation
11 (“Taylor County R.E.C.C.” or “Taylor County”).

12 **Q. Briefly describe your education and work experience.**

13 A. I received a Bachelor of Science degree in Electrical Engineering from the University
14 of Notre Dame in 1990 and a Master of Science degree in Electrical Engineering from
15 Drexel University in 1997. I founded Catalyst Consulting LLC in June 2012. I have
16 developed cost of service studies and rates for numerous electric and gas utilities,
17 including electric distribution cooperatives, generation and transmission cooperatives,
18 municipal utilities and investor-owned utilities. I have performed economic analyses,
19 rate mechanism reviews, special rate designs, and wholesale formula rate reviews.
20 From March 2010 through May 2012, I was a Senior Consultant with The Prime
21 Group, LLC. I have also been employed by the parent companies of Louisville Gas and
22 Electric Company ("LG&E") and Kentucky Utilities Company ("KU"), by the PJM
23 Interconnection, and by the Cincinnati Gas & Electric Company. A more detailed
24 description of my qualifications is included in Exhibit JW-1.

1 **Q. Have you ever testified before the Kentucky Public Service Commission**
2 **(“Commission”)?**

3 **A.** Yes. I have testified in numerous regulatory proceedings before this Commission. A
4 listing of my testimony in other proceedings is included in Exhibit JW-1.

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6 **II. PURPOSE OF TESTIMONY**

7 **Q. What is the purpose of your testimony?**

8 **A.** The purpose of my testimony is to describe the proposed Prepay Metering Program and
9 to provide the cost support used to develop the charges included in the proposed Prepay
10 Metering Program Tariff.

11 **Q. Are you sponsoring any exhibits?**

12 **A.** Yes. I have prepared the following exhibits to support my testimony:

13 Exhibit JW-1 – Qualifications of John Wolfram

14 Exhibit JW-2 – Prepay Metering Program Cost Support

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16 **III. PREPAY METERING PROGRAM**

17 **Q. What is the basis for the rates contained in the proposed tariff?**

18 **A.** The basis for the rates found in this tariff is an estimate of the annual expenses for this
19 program. They were calculated consistent with the approach used in previous filings by
20 other distribution cooperatives, specifically in Case No. 2012-00437 for Farmers Rural
21 Electric Cooperative Corporation (“Farmers”).

22 **Q. How many members did Taylor County use to estimate participation in**
23 **developing the rates contained in the proposed tariff?**

1 A. Taylor County is estimating that 1,500 members will use the program. Since Taylor
2 County has approximately 26,700 members, the 1,500 represents approximately 5.6
3 percent of its total members. The timeframe for obtaining this number of participants
4 cannot be determined at the present time.

5 **Q. Please explain how the Prepay Tariff Program works.**

6 A. Taylor County's customer information system ("CIS") and automated metering
7 infrastructure ("AMI") software are multi-speak compliant and interface seamlessly.
8 The interface allows the member to make a payment to their electric account through
9 most methods used by post pay members and listed on Taylor County's website. The
10 amount deposited is then available for viewing on the internet usage webpage. Prepay
11 accounts will be billed electronically at least once a day to show the remaining funds on
12 the account. This daily balance is available for the member to view on the internet
13 usage webpage. When the amount of funds remaining on a prepay account reaches the
14 established threshold of \$25, an automated message will be sent to the member through
15 texting and/or email alerting the member. The member then deposits more funds into
16 the account. If the account balance becomes negative, service will be disconnected.
17 Once a payment is made, service will be reconnected. Service disconnection and
18 reconnection will be automatic with the installation of a disconnect collar. This meter
19 interfaces with the AMI system and is remotely activated with a reconnect if an amount
20 is applied to the account or disconnected when the account balance becomes negative.

21 **Q. Please discuss the computation of the proposed rates.**

22 A. The basis for the rates found in this tariff is an estimate of the annual expenses for this
23 program based on the additional investment required for each customer that may

1 participate in this program. It was calculated similarly to how the rates were calculated
2 for Farmers in that the rate is determined by the incremental costs per member. Exhibit
3 JW-2 of this application contains the calculation for the proposed rate.

4 **Q. Please explain further how the \$3.69 monthly fee was derived.**

5 A. The \$3.69 monthly fee was found by finding the annual additional investment,
6 specifically the investment in the prepay meter. This meter cost was then multiplied by
7 the percent of annual fixed charges to find an annual cost. This resulting annual cost
8 was divided by twelve to obtain the monthly incremental cost. Finally, the monthly
9 communication fees were added. Please see Exhibit JW-2 for these calculations.

10 **Q. What is the annual fixed charged rate and how was it calculated?**

11 A. The annual fixed charged rate represents the percent of total costs that are fixed. Or,
12 more simply, it represents the percentage of the meter cost that would be applied to a
13 member's customer or fixed charges in a full cost of service study. To find the fixed
14 charge rate, the percentage of total Distribution Plant Costs for which Depreciation,
15 Distribution Operation and Maintenance and Administrative and General each
16 contributed was calculated. (See Exhibit JW-2, Sections B1, B2, and B3.) Each of these
17 percentages was summed resulting in the percent of total distribution costs that are
18 fixed. Next an annual return on the meter investment was calculated. This calculation is
19 based on actual debt and interest for the test year and return on equity based on a TIER
20 of 2.00. (See Exhibit JW-2, Section B4.) The annual return percentage and the annual
21 total costs percentage are summed to arrive at an annual percent of costs that are fixed.
22 (See Exhibit JW-2, Section A.)

1 **Q. Why did Taylor County follow Farmer’s process in determining the prepay**
2 **program costs and not use actual costs related to the proposed prepay program as**
3 **other cooperatives such as Bluegrass Energy proposed?**

4 A. Taylor County decided to follow Farmers’ approach and to look at the cost of the
5 incremental investment and determine a cost based on its general cost structure so to
6 provide as low a fee as it could to justify the program. Taylor County wants to make
7 this fee as reasonable as possible and to make it potentially attractive to any member.

8 **Q. Who is eligible for Prepay service?**

9 A. Rate Schedule A Farm and Home Service accounts within the territory serviced by the
10 Cooperative are eligible except the following:

- 11 a) Accounts on Levelized/Fixed Budget Billing
- 12 b) Accounts on Automatic Draft
- 13 c) Accounts on Net Metering
- 14 d) Accounts with Ancillary Services
- 15 e) Three-phase accounts
- 16 f) Accounts with greater than 200 Amp service (due to restraints of the AMI
- 17 switches)
- 18 g) Winter Hardships
- 19 h) Certificate of Need
- 20 i) Medical Certificate

21 **Q. Please explain in more detail the balance monitoring and balance alerts for the**
22 **Prepay Program.**

1 A. The member shall be responsible for regularly monitoring the balance on the Prepay
2 account. The account will be adjusted daily and will be available for viewing on the
3 internet usage webpage or by calling the customer service. Updates will occur once
4 daily. When the amount of funds remaining on the Prepay account reaches the
5 established threshold of \$25, an automated message will be sent to the member. An
6 established threshold amount was chosen because it is a uniformed amount across the
7 program for all users. The amount of \$25 was determined to be the cost of an average
8 of four days' estimated usage. A delinquent notice will not be mailed on prepay
9 accounts.

10 **Q. When do disconnects occur?**

11 A. A prepay account will be disconnected if the balance of the account reaches a negative
12 balance. Unless directed otherwise by the Commission, the account will be
13 disconnected regardless of weather/temperature as the member is responsible for
14 ensuring that the prepay account is adequately funded. Service will be reconnected
15 once the prepay account is funded. Disconnects will not occur over the weekend. If the
16 balance becomes negative over a weekend, service will continue until the following
17 Monday. If the following Monday is a holiday, the service will be disconnected at the
18 following normal work day. If the account balance becomes negative on a holiday,
19 service will continue until the following normal work day.

20 **Q. How will communication be impacted during major outage situations?**

21 A. The two-way communication will not be available during power outages. This means
22 that the automatic reconnect or disconnect function will not operate without power.

1 During major outage situations, the automatic disconnect function of prepay program
2 will be suspended until Taylor County has restored power to all customers.

3 **Q. In special circumstances in which the tariff is not working for the member, will**
4 **exceptions be made so that the member can return to the standard residential**
5 **tariff?**

6 A. Yes, there is no term.

7 **Q. Who is not eligible for the prepay program?**

8 A. All voluntary prepay accounts will not be eligible for a Winter Hardship Reconnect,
9 Certificate of Need, or Medical Certificate as outlined in 807 KAR 5:006, Sections 15
10 and 16. If a member on a prepay account presents a Certificate of Need, a Medical
11 Certificate or qualifies for a Winter Hardship Reconnect, the member will be required
12 to transfer to a post-pay account.

13 **Q. Are there any exceptions to the rule of disconnecting service if the account balance**
14 **becomes negative during periods of extreme temperatures?**

15 A. Taylor County is very proactive in assisting its members during times of financial
16 needs. Prepay members will be directed to hardship programs and worked with like
17 other residential tariffs. However, those who have frequent hardships will be
18 encouraged not to participate in the prepay program.

19 **Q. What are the benefits of the Prepay program?**

20 A. There are several benefits associated with the prepay program. The first is that
21 members will have an additional choice which leads to a higher satisfaction level.
22 Another benefit is that prepay is an option that does not require a deposit, which also
23 leads to greater satisfaction with the cooperative. In addition, there is a conservation

1 benefit. Studies have shown that the prepay program reduces energy consumption,
2 which subsequently lowers monthly bills. This also helps to reduce the carbon footprint
3 and supports the demand side management initiatives of Taylor County. Finally, the
4 program will allow Taylor County to lower expenses by reducing operating costs
5 associated with connect/disconnect trips, write-offs and delinquent debt.

6 **Q. Is there any grant money used for this Prepay Program?**

7 A. No.

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9 **IV. RECOMMENDATION**

10 **Q. What is your recommendation to the Commission in this matter?**

11 A. Because Taylor County is proposing to adopt a program similar to that approved by the
12 Commission in other proceedings for other electric cooperatives, and because Taylor
13 County developed rates in the same way approved by the Commission in those
14 proceedings, I recommend that the Commission approve the Taylor County R.E.C.C.
15 Prepay Metering program as filed in this matter.

16

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does.