

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC APPLICATION OF SOUTH)
KENTUCKY RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR A GENERAL ADJUSTMENT)
OF RATES, APPROVAL OF DEPRECIATION)
STUDY, AND OTHER GENERAL RELIEF)**

**CASE NO.
2021-00407**

**RESPONSES TO COMMISSION STAFF'S FOURTH REQUEST FOR
INFORMATION TO SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION, DATED APRIL 4, 2022**

Filed: April 19, 2022

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of:

THE ELECTRONIC APPLICATION OF)	
SOUTH KENTUCKY RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR A)	CASE NO.
GENERAL ADJUSTMENT OF RATES,)	2021-00407
APPROVAL OF A DEPRECIATION STUDY,)	
AND OTHER GENERAL RELIEF)	


VERIFICATION OF MICHELLE D. HERRMAN

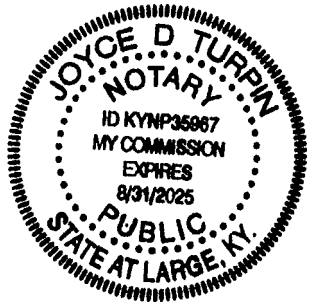
COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF PULASKI)

Michelle D. Herrman, Vice-President of Finance and Member Services of South Kentucky Rural Electric Cooperative Corporation, being duly sworn, states that she has supervised the preparation of certain responses to Commission Staff's Fourth Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.


 Michelle D. Herrman

The foregoing Verification was signed, acknowledged and sworn to before me this 18th day of April, 2022, by Michelle D. Herrman.


 Commission expiration: Aug 31, 2025



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of:

THE ELECTRONIC APPLICATION OF)	
SOUTH KENTUCKY RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR A)	CASE NO.
GENERAL ADJUSTMENT OF RATES,)	2021-00407
APPROVAL OF A DEPRECIATION STUDY,)	
AND OTHER GENERAL RELIEF)	

VERIFICATION OF KENNETH E. SIMMONS

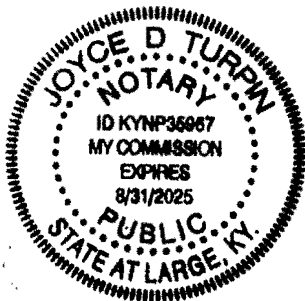
COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF PULASKI)


Kenneth E. Simmons, President and Chief Executive Officer of South Kentucky Rural Electric Cooperative Corporation, being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's Fourth Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



 Kenneth E. Simmons

The foregoing Verification was signed, acknowledged and sworn to before me this 18th day of April, 2022, by Kenneth E. Simmons.




 Commission expiration: Aug 31, 2025

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF)
 SOUTH KENTUCKY RURAL ELECTRIC)
 COOPERATIVE CORPORATION FOR A)
 GENERAL ADJUSTMENT OF RATES,)
 APPROVAL OF A DEPRECIATION STUDY,)
 AND OTHER GENERAL RELIEF)

CASE NO.
 2021-00407

VERIFICATION OF WILLIAM STEVEN SEELYE

STATE OF NORTH CAROLINA)
)
 COUNTY OF BUNCOMBE)

William Steven Seelye, Managing Partner, The Prime Group, LLC on behalf of South Kentucky Rural Electric Cooperative Corporation, being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's Fourth Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



 William Steven Seelye

The foregoing Verification was signed, acknowledged and sworn to before me this 11 day of April, 2022, by William Steven Seelye.

Chaoty Justice
 Notary Public
 Buncombe County, NC
 My Commission Expires: 06/08/2026



 Commission expiration: 06/08/2026

SOUTH KENTUCKY RECC

PSC CASE NO. 2021-00407

FOURTH REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION—04/04/22

REQUEST 1

RESPONSIBLE PERSONS: Michelle Herrman and Steve Seelye

COMPANY: South Kentucky RECC

Request 1. Refer to South Kentucky RECC's response to Commission Staff's Third Request for Information (Staff's Third Request), Item 8.

a. Confirm that South Kentucky RECC is unable to prepay its loans using the cushion of credit. If confirmed, further explain why the cushion of credit cannot be used.

b. Explain whether South Kentucky RECC currently uses the cushion of credit to make regular debt service payments. If not, explain whether South Kentucky RECC plans to in the future.

c. Provide the prepayment penalties for the following loans: H0020, H0015, H0010, H0025, FFB 1-1, FFB 2-1, and FFB 2-2.

d. Provide support for the weighted average cost of capital of 5.74 percent.

e. For the net present value calculation, a historical debt rate of 2.86 percent was applied.

(1) Explain why a forecasted interest rate was not applied.

(2) Provide the period for which the historical average was calculated and explain why this is the appropriate period for this analysis.

(3) Provide support that beginning in 2024, the one-year treasury rate will increase from 1.03 percent to 2.86 percent, a total of 183 basis points.

(4) Provide the most recent historical date when the one-year treasury rate was 2.86 percent.

(5) Confirm that the average one-year Treasury rate on October 1 from 2012 to 2021 was 0.72 percent.

(6) Confirm that the average one-year Treasury rate on October 1 from 2001 to 2021 was 1.43 percent.

Response 1.

a. South Kentucky is unable to prepay its *fixed-rate* long-term debt using the cushion of credit (“CoC”). If South Kentucky were to do so, it would be required to prepay all of its long-term debt with Rural Utilities Service (“RUS”) /Federal Financing Bank (“FFB”) and exit the RUS Borrowing program. Exiting the RUS Borrowing program would be very detrimental to the Cooperative, and to its present and future owner-members. For greater detail see the email exchange presented in our response to 1.c. below. South Kentucky may use the CoC to pay its *variable-rate* long-term debt in full at their next maturity date.

b. In December 2021, South Kentucky began allowing the CoC to pay debt service payments when due. The funds that would normally be used to make the debt service payments are currently being invested with the Cooperative Finance Corporation (“CFC”) in their commercial paper program.

At this time, South Kentucky has no plans to alter its practice that began in

December 2021. Work on the investment policy discussed in our response to Staff's Second Data Request, Question 6, continues.

c. The terms of the referenced loans do not contain a formulaic computation for determination of applicable pre-payment penalties. In fact, Michelle Herrman, South Kentucky's Vice President of Finance and Member Services, requested assistance from RUS on how such pre-payment penalties should be calculated. As shown by the attached email exchange, RUS provided guidance which confirmed that FFB does not employ a universal formula to readily make such calculations and is dependent on each individual loan and its discreet terms. The only way to obtain this information is for South Kentucky to go through the difficult process of requesting payoff estimates from FFB for each individual loan enumerated in this request, including a hypothetical date upon which the payoff estimate should be based. Please see attached.

d. The discount rate used of 5.74 percent represents South Kentucky's pro forma return on net investment. The percentage was calculated on page 21 of Exhibit WSS-8 to the Direct Testimony of William Steven Seelye filed in South Kentucky's rate case application. See attached. Using return on net cost investment, which is generally equivalent to the utility's weighted cost of capital, is the standard approach for selecting a discount rate used in present value revenue requirement (PVRR) analyses and is typically used in PVRR analyses performed by utilities in their integrated resource planning activities, including those in Kentucky.

e. (1) Using long-term historical averages is a standard approach for forecasting interest rates, especially during periods of interest rate volatility. The use of long-term

historical averages is consistent with the principle of *mean reversion* widely addressed in finance literature and incorporated in numerous interest rate models. For example, in *Options, Futures, and Other Derivatives*, Professor John C. Hull, University of Toronto, describes mean reversion as follows:

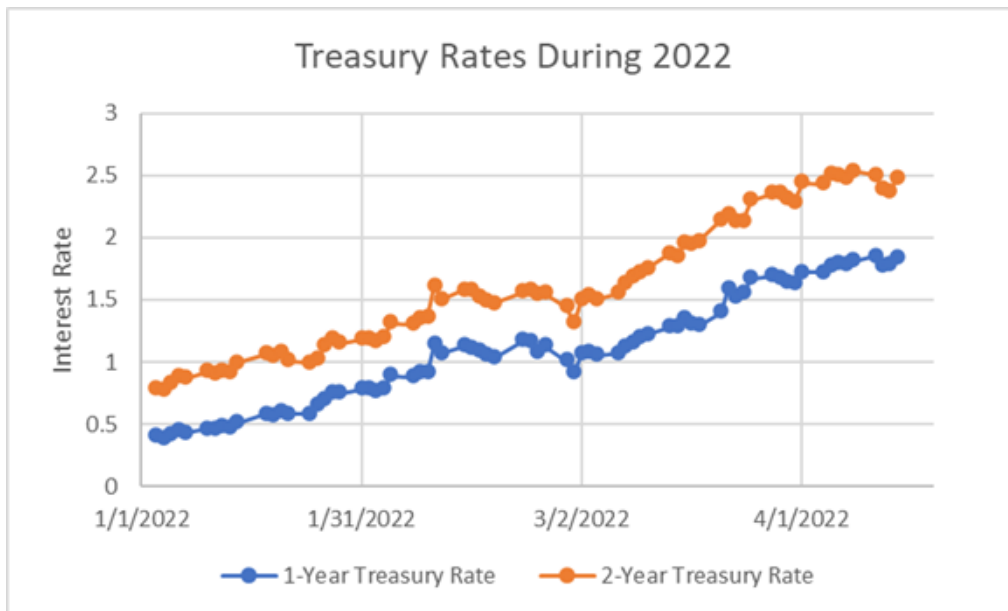
One important difference between interest rates and stock prices is that interest rates appear to be pulled back to some long-run average level over time. This phenomenon is known as *mean reversion*. When [the interest rate] r is high, mean reversion tends to cause it to have a negative drift; when r is low, mean reversion tends to cause it to have a positive drift. [John C. Hull, *Options, Futures, and Other Derivatives*, Ninth Edition (Pearson: 2015), at p. 708. Emphasis in the original.]

The tendency for interest rates to revert to a long-term average is an integral assumption in the Ornstein-Uhlenbeck and Cox-Ingersoll-Ross models, which are standard approaches for modelling interest rates, currency exchange rates and certain commodity prices. See Jamil Baz and George Chacko, *Financial Derivatives: Pricing, Applications, and Mathematics* (Cambridge University Press: 2004), at pp. 225-227. See attached. See also Tim Leung and Xin Li, *Optimal Mean Reversion Trading: Mathematical Analysis and Practical Applications* (World Scientific: 2015).

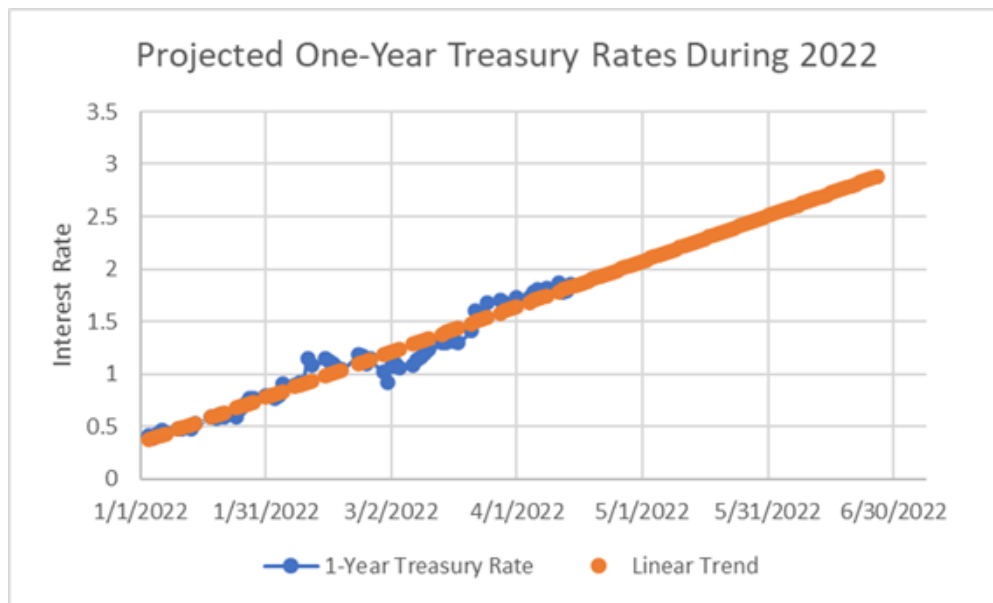
e. (2) The mean or average interest rate of 2.86 percent was calculated based on the period from January 1, 1990, through January 31, 2022, based on data reported by the United States Department of Treasury. See <https://home.treasury.gov/policy-issues/financing-the-government/interest-rate-statistics>.

e. (3) The interest rate of 2.86 percent represents a long-term mean or average

rate. There is strong theoretical and empirical support that the one-year interest rate will revert to the mean. See response to sub-part e (1), above. As of April 14, 2022, the current one-year treasury rate is 1.84%, and the two-year treasury rate is 2.47%. These interest rates have been increasing monotonically during 2022. Thus, there is strong evidence that the one-year interest rate is currently trending toward the mean value of 2.86 percent. Shown below in the following graph are the interest rates (interest yields) for one-year and two-year treasury notes for each trading day in 2022:



On April 6, 2022 the Federal Reserve indicated that it plans to implement several increases to its lending rates for the remainder of 2022, with individual increases as large as 50 basis points. Therefore, the upward movement in prevailing interest rates is expected to continue. The following graph indicates that based on a linear trend of the one-year interest rate, the one-year treasury yield would revert to a mean value of 2.86 percent by June 29, 2022:



Certainly, it is difficult to predict what interest rates will be in the future because they depend on future policies of the Federal Reserve, on economic growth, and whether there is a recession. Nevertheless, it is a reasonable assumption that interest rates tend to revert to long-run averages and are currently reverting to the long-term average or mean.

e. (4) The most recent historical date when the interest rate was at or above 2.86 percent was January 16, 2008, immediately prior to the 2008 recession (“The Great Recession”). However, the one-year interest rate was 2.60 percent on January 29, 2019 and was 2.72 percent on December 3, 2018. In 2007, the year prior to the Great Recession, the one-year treasury rate averaged 4.53%.

e. (5) Based on data reported by the United States Department of Treasury, the average one-year treasury rate on October 1 during 2012-2021 was 0.71 percent. The average one-year rate for 2012-2021 was 0.74 percent. However, the rate as of April 1, 2022, the interest rate is 1.84%, and the rate was 2.60 percent on January 29, 2019 and was 2.72 percent on December 3, 2018. Also, the period of 2012-2021 encompassed the COVID-19 epidemic. Prior to the COVID-19 epidemic, interest rates were trending up.

e. (6) Confirmed. The average one-year treasury rate during 2001-2021 was 1.52 percent. However, the rate as of April 14, 2022, the interest rate is 1.84%, and the rate was 2.60 percent on January 29, 2019 and was 2.72 percent on December 3, 2018. Also, the period of 2001-2021 encompassed both the Great Recession and the COVID-19 epidemic. During the years prior to the Great Recession (2001-2007), the one-year Treasury rate averaged 3.10%.

From: [SM.RD.NFAOC.TESB](#)
To: [Munnelyn, Cheryl - RD, Washington, DC](#); [Michelle Herrman](#); [SM.RD.NFAOC.TESB](#)
Cc: [Chu, Marina - RD, Washington, DC](#); [Pomicter, Joseph - RD, St. Louis, MO](#)
Subject: RE: [External Email]KY 054 Prepayment Penalty Question
Date: Thursday, February 24, 2022 8:00:33 AM
Attachments: [image012.png](#)
[image013.png](#)
[image015.png](#)
[image016.png](#)
[image018.png](#)
[image019.png](#)
[image020.png](#)
[image021.png](#)
[image022.png](#)
[image023.png](#)
[image024.png](#)
[image025.png](#)

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

Hi Michelle,

The loan you referenced is FFB loan FFB-6-1. We have asked FFB in the past for a formula and they have said there is no formula and that it is dependent on the loan and the loan terms. It sounds like from the sentence you provided the terms may be located in another area of the document but we can't answer that. The only way to know what the premiums would be on that specific loan would be to request a payoff and receive an estimate. Outside of that we could try to put you in touch with someone in FFB to see if they can help you find the details of how the prepayment would be calculated for that loan.

You also mentioned using COC. You are not allowed to apply COC towards an individual loan payoff or paydown. It can only be used when paying off all loans and exiting the program. If you choose to get a payoff estimate for all loans there may be premiums on your RET loans. We would have to work with Cheryl on the premiums for your RET loans through the discounted prepayment process. I don't know the specific formula or details on how those are calculated but Cheryl could probably help to explain those or locate them in your loan documents.

If you would like to get the payoff estimate for all loans or any specific loans please send us the date you would like the payoff estimate for using the criteria below, as well as the specific loan accounts. You can also say all accounts if all.

- Payoff date needs to be at least 12 business days in the future, no weekends or Holidays.
- First business day and last 2 business days of month aren't allowed.
- Payoff date not allowed on 313A Due date (1/15, 4/15, 7/15, 10/15 or next business date if date falls on weekend or holiday)
- Intent to prepay or decline is due no later than the 5th day before the prepayment date but should be provided as soon possible.
- Only 1 Prepayment request may be made a quarter

Thank you,

Please note, we have a new branch email address:
rd.nfaoc.tesb@usda.gov. Please send **all** correspondence, both RUS and FFB to this new address. Please include your borrower reference number in your communications. Thank you for your cooperation!

Jerrold Penprase

Financial Specialist | Business, Electric and Telecomm Section
Community and Utilities Branch | Direct Loan Division
Servicing Office | Business Center Rural Development
United States Department of Agriculture
Phone: 314-457-4049 | Fax: 844-655-2429
www.rd.usda.gov

"Together, America Prospers"

Stay Connected with USDA:



USDA is an equal opportunity provider and employer.

From: Munnelyn, Cheryl - RD, Washington, DC <cheryl.munnelyn@usda.gov>
Sent: Tuesday, February 22, 2022 4:27 PM
To: Michelle Herrman <michelleh@skrecc.com>; SM.RD.NFAOC.TESB <rd.nfaoc.tesb@usda.gov>
Cc: Chu, Marina - RD, Washington, DC <marina.chu@usda.gov>
Subject: FW: [External Email]KY 054 Prepayment Penalty Question

Michelle,

I am forwarding your request to our St Louis Finance Center for assistance with prepayment penalties.

Thank you.

Cheryl H. Munnelyn

Chief, Post-Loan Services Financial Operations Branch
Office of Portfolio Management and Risk Assessment
Rural Utilities Service - Electric Program | Rural Development
U.S. Department of Agriculture
1400 Independence Ave., S.W. | Stop 1568- Rm 4116

Washington, D.C. 20250
E-mail: Cheryl.Munnelyn@usda.gov
Phone: 202-720-8936
www.rd.usda.gov

"Together, America Prospers"

Stay Connected with USDA:



USDA is an equal opportunity provider, employer, and lender.

From: SM.RD.DCWA2.OPMRAElectric <OPMRAElectric@usda.gov>
Sent: Tuesday, February 22, 2022 5:23 PM
To: Munnelyn, Cheryl - RD, Washington, DC <cheryl.munnelyn@usda.gov>
Subject: FW: [External Email]KY 054 Prepayment Penalty Question

From: Michelle Herrman <michelleh@skrecc.com>
Sent: Friday, February 18, 2022 1:01 PM
To: SM.RD.DCWA2.RUSELECTRIC <RUSElectric@usda.gov>
Subject: [External Email]KY 054 Prepayment Penalty Question

[External Email]

If this message comes from an **unexpected sender** or references a **vague/unexpected topic**;
Use caution before clicking links or opening attachments.
Please send any concerns or suspicious messages to: Spam.Abuse@usda.gov

Good Afternoon,

I need some assistance. Our Cooperative is currently seeking a rate increase before the Kentucky Public Service Commission. They have asked us the following question- "Provide the penalty for paying down long term debt with South Kentucky RECC's Cushion of credit."

Can you please assist me in answering this question?

I have reviewed our BE48 loan documents and have noted the discussion in Section 3.4 of the loan contract which cites "the borrower has no right to prepay a Note in whole or in part except such rights, if any, as are expressly provided for in a Note or applicable federal statutes."

And I have also reviewed our future advance promissory note for our BE48 loan,

paragraph 16 b and c.

I'm looking for a simple way to answer their question. How would you simply describe the penalty calculation for one of our loans?

I appreciate any help you can provide. I do have a short response time window, so any quick guidance you can provide would be appreciated.

Thank you.

Michelle D. Herrman, CPA, PHR
Vice President of Finance and Member Services
Phone: 606-451-4337



Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, copy, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply Email and destroy all copies of the original message.

This electronic message contains information generated by the USDA solely for the intended recipients. Any unauthorized interception of this message or the use or disclosure of the information it contains may violate the law and subject the violator to civil or criminal penalties. If you believe you have received this message in error, please notify the sender and delete the email immediately.

SOUTH KENTUCKY RECC
Cost of Service Study
Class Allocation

12 Months Ended
March 31, 2020

Description	Name	Allocation Vector	Total System	Residential, Farm and Non-Farm			Large Power Rate 4	Optional Power			Large Power 1 Rate 9	Large Power 2 Rate 10
				Rate 1,3,20,30,36,66	Small Commercial Rate 2, 7, 22	Rate 5		All Electric Schools Rate 17	Rate 5			
Cost of Service Summary – Rates of Return After Proposed Increase												
Operating Revenues												
Total Operating Revenue -- Actual			\$ 114,411,592	\$ 74,476,861	\$ 7,842,100	\$ 15,814,564	\$ 1,502,789	\$ 883,677	\$ 767,923	\$ 5,160,720		
Pro-Forma Adjustments:												
Proposed Increase			\$ 8,685,396	\$ 7,173,878	\$ 309,992	\$ 633,972	\$ 59,521	\$ 97,664	\$ 7,967	\$ 51,472		
Total Pro-Forma Operating Revenue			\$ 123,096,988	\$ 81,650,739	\$ 8,152,092	\$ 16,448,537	\$ 1,562,310	\$ 981,341	\$ 775,890	\$ 5,212,192		
Operating Expenses												
Total Pro-forma Operating Expenses			\$ 111,597,784	\$ 77,154,312	\$ 6,752,589	\$ 13,945,413	\$ 1,198,094	\$ 951,257	\$ 632,172	\$ 4,472,619		
Utility Operating Margin – Pro-Forma			\$ 11,499,204	\$ 4,496,427	\$ 1,399,503	\$ 2,503,124	\$ 364,215	\$ 30,083	\$ 143,718	\$ 739,574		
Net Cost Rate Base - Adjusted			\$ 200,206,009	\$ 142,443,004	\$ 15,825,973	\$ 18,329,388	\$ 2,773,775	\$ 1,850,945	\$ 18,328	\$ 272,781		
Rate of Return			5.74%	3.16%	8.84%	13.66%	13.13%	1.63%	784.13%	271.12%		
Return on Revenue			9.34%	5.51%	17.17%	15.22%	23.31%	3.07%	18.52%	14.19%		

4.5 MEAN-REVERTING PROCESSES

4.5.1 Introduction

In Section 4.3 on a geometric Brownian motion, we saw that the variance of returns would explode to infinity over long time horizons. This might not square with our intuitive grasp of asset returns in the long run. Indeed, the optimists among us like to think that some inherent stability in financial markets keeps the variance of long-term returns away from infinity. This stability can be modeled like a force pulling asset returns back to some mean whenever they deviate from it. This is the so-called mean-reversion phenomenon. This idea is just one example among many that depart from the traditional Brownian motion model. There are a host of "exotic" phenomena related to asset return dynamics that have been described, documented, or conjectured. Hence the need for competing random processes – the subject of Sections 4.5 and 4.6 – to describe these alternative phenomena. In Section 4.5, we illustrate the mean-reversion idea with two processes – both of which turn out to be helpful when we discuss interest rates. See Chapter 3 for an illustration. These processes, called the *Ornstein-Uhlenbeck process* and the *square-root process*, will be presented in turn.

4.5.2 The Ornstein-Uhlenbeck Process

A variable $X(t)$ is said to follow an Ornstein-Uhlenbeck process²³ when

$$dX(t) = k[\theta - X(t)]dt + \sigma dW(t) \quad (4.128)$$

subject to $X(0) = x_0$ and $k \geq 0$. Equation (4.128) describes a motion for $X(t)$ that gets pulled back with "speed" k toward a long-term mean value θ whenever $X(t)$ deviates from θ . To obtain the integral version of (4.128), note, by Itô's lemma, that

$$d(Xe^{kt}) = e^{kt}(k\theta dt + \sigma dW)$$

²³ This is a "rescaled" version of the Ornstein-Uhlenbeck process. What is usually referred to as the Ornstein-Uhlenbeck process is (4.128) with $\theta = 0$.

Integrating both sides

$$\int_0^t d(Xe^{ks}) = \int_0^t e^{ks}(k\theta ds + \sigma dW(s))$$

we get an explicit solution for $X(t)$

$$X(t) = \theta + (x_0 - \theta)e^{-kt} + \sigma \int_0^t e^{-k(t-s)} dW(s) \quad (4.129)$$

Note that $\mathbb{E}_0 \int_0^t e^{-k(t-s)} dW = 0$. The expectation of $X(t)$ at time zero is therefore

$$\mathbb{E}[X(t)] = \theta + (x_0 - \theta)e^{-kt} \quad (4.130)$$

and the variance at time zero is

$$\begin{aligned} \text{Var}[X(t)] &= \mathbb{E}\{X(t) - \mathbb{E}[X(t)]\}^2 & (4.131) \\ &= \sigma^2 \mathbb{E} \left\{ \int_0^t e^{-k(t-s)} dW(s) \right\}^2 \\ &= \sigma^2 \int_0^t \mathbb{E}\{e^{-k(t-s)} dW(s)\}^2 \\ &= \sigma^2 \int_0^t e^{-2k(t-s)} ds \\ &= \frac{\sigma^2(1 - e^{-2kt})}{2k} \end{aligned}$$

From (4.129), it can be seen that $X(t)$ follows a normal distribution.²⁴ The distribution of $X(t)$ is

$$\Pr(X(t) \leq x) = \int_{-\infty}^x \frac{1}{\sqrt{2\pi \text{Var}(X(t))}} \exp \left[-\frac{X(t) - \mathbb{E}[X(t)]}{2\text{Var}(X(t))} \right]^2 dX(t) \quad (4.132)$$

4.5.3 Calculations of Moments with the Dynkin Operator

We explore below an alternative technique to calculate the moments of an Itô process. This technique makes use of the so-called Dynkin

²⁴ You can think of an integral as the limit of a sum. In the case at hand, $X(t)$ is the sum of normal terms: indeed, each term ΔW is normal and multiplied by a deterministic factor (the exponential term). The product is therefore normal. The sum of normal variables is in turn a normal variable.

operator, which is defined as

$$D(X)$$

To see how the expectation operator works, consider the Ornstein-Uhlenbeck process

$$dX =$$

Because

$$\mathbb{E}(dX)$$

it follows that

$$\frac{d\mathbb{E}(X)}{dt}$$

This is a simple differential equation. Using the boundary condition, $\mathbb{E}(X(0)) = x_0$,

$$\mathbb{E}(X(t))$$

We have therefore obtained the variance of $x(t)$, we first use Itô's lemma:

$$dX^2 = 2X dX$$

and, as before,

$$\frac{d\mathbb{E}(X^2)}{dt} =$$

The differential equation

$$\frac{d\mathbb{E}(X^2)}{dt} = -2k\mathbb{E}(X^2)$$

subject to: $\mathbb{E}(X^2(0)) = x_0^2$

$$\mathbb{E}(X^2) = \frac{\sigma^2(1 - e^{-2kt})}{2k}$$

The variance of $X(t)$ follows

$$\text{Var}(X(t)) = \mathbb{E}(X^2) - (\mathbb{E}(X))^2$$

as in equation (4.131).

operator, which is defined as:

$$D(X(t)) \equiv \frac{d}{dt} \mathbb{E}(X(t)) \quad (4.133)$$

To see how the expectation and variance of $X(t)$ can be obtained, consider the Ornstein-Uhlenbeck process:

$$dX = k(\theta - X)dt + \sigma dW$$

Because

$$\frac{\mathbb{E}(dX(t))}{dt} = \frac{d\mathbb{E}(X(t))}{dt}$$

it follows that

$$\frac{d\mathbb{E}(X(t))}{dt} = k\theta - k\mathbb{E}(X(t)) \quad (4.134)$$

This is a simple differential equation which can be solved subject to the boundary condition, $\mathbb{E}(X(0)) = x_0$, to get

$$\mathbb{E}(X(t)) = \theta + (x_0 - \theta)e^{-kt}$$

We have therefore obtained the same result as in (4.130). To calculate the variance of $x(t)$, we first compute the second moment of X , $\mathbb{E}(X^2)$ from Itô's lemma:

$$dX^2 = 2X[k(\theta - X)dt + \sigma dW] + \sigma^2 dt$$

and, as before,

$$\frac{d\mathbb{E}(X^2)}{dt} = 2k\theta\mathbb{E}(X) - 2k\mathbb{E}(X^2) + \sigma^2$$

The differential equation is therefore

$$\frac{d\mathbb{E}(X^2)}{dt} = -2k\mathbb{E}(X^2) + 2k\theta^2 + 2k\theta(x_0 - \theta)e^{-kt} + \sigma^2 \quad (4.135)$$

subject to: $\mathbb{E}(X^2(0)) = x_0^2$. The solution is

$$\mathbb{E}(X^2) = \frac{\sigma^2(1 - e^{-2kt})}{2k} + \theta^2 + (x_0 - \theta)^2 e^{-2kt} + 2\theta(x_0 - \theta)e^{-kt}$$

The variance of $X(t)$ follows:

$$\text{Var}(X(t)) = \mathbb{E}(X^2) - (\mathbb{E}(X))^2 = \frac{\sigma^2(1 - e^{-2kt})}{2k} \quad (4.136)$$

as in equation (4.131).

**SOUTH KENTUCKY RECC
PSC CASE NO. 2021-00407
FOURTH REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION—04/04/22
REQUEST 2**

RESPONSIBLE PERSON: Michelle Herrman
COMPANY: South Kentucky RECC

Request 2. Refer to South Kentucky's response to Staff's Third Request, Item 9.

- a. Provide the cost per uncollectible account charged by the collection agency.
- b. Provide the amount spent recovering bad debt in the test year.
- c. Provide the contract with the collection agency.
- d. Provide the expenses and recovered revenue for the past five years.

Response 2.

a. The cost per uncollectible account charged by the collection agency under our current contract with ONLINE Collections is 20% of the amount collected. We had two previous collection agencies, Nationwide whose last fee was 33%, and Hillcrest whose fees were 50%. From time to time, we will still have some collection payments from Nationwide and Hillcrest; however, no accounts have been transferred to Nationwide since 2019, nor Hillcrest since 2003.

b. The total amount paid to collection agencies recovering bad debt during the test year was \$6,319.20, as follows. This would not include any labor costs or postage related to in-house labor or collection efforts prior to transferring the accounts to the collection agencies. We do not maintain this data in a manner that is separately identifiable.

		Hillside Credit	OnLine
	<u>Nationwide</u>	<u>Agency</u>	<u>Collections</u>
	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>
Apr-19	\$173.77		
May-19	\$42.36	\$96.71	
Jun-19	\$193.97		\$383.45
Jul-19	\$38.15		\$365.28
Aug-19	\$407.44	\$128.13	\$512.86
Sep-19	\$33.01	\$106.20	\$704.15
Oct-19			\$533.85
Nov-19	\$39.29	\$62.61	\$129.74
Dec-19	\$184.43		\$263.72
Jan-20			\$97.07
Feb-20	\$68.24		\$901.96
Mar-20	\$208.66		\$644.15
	\$1,389.32	\$393.65	\$4,536.23

c. Please see the attached collection agency contracts for ONLINE Collections and Nationwide. The contract for Hillcrest is not available.

d. The collection expenses and recovered revenue for the past five years is noted in the table below:

	Nationwide		Hillside Credit Agency		ONLINE Collections	
	<u>Recovered Revenue</u>	<u>Expenses</u>	<u>Recovered Revenue</u>	<u>Expenses</u>	<u>Recovered Revenue</u>	<u>Expenses</u>
2017 Total	\$26,450.99	\$8,747.01	\$1,071.43	\$535.73		
2018 Total	\$26,198.81	\$9,663.79	\$2,191.92	\$1,096.01		
2019 Total	\$7,607.77	\$2,081.57	\$786.40	\$393.65	\$20,580.91	\$2,893.05
2020 Total	\$2,482.34	\$819.37	\$2,658.15	\$1,329.09	\$33,833.23	\$5,156.77
2021 Total	-	-	\$64.46	\$32.24	\$44,459.25	\$6,949.69
	\$62,739.91	\$21,311.74	\$6,707.90	\$3,354.48	\$54,414.14	\$8,049.82

Grand Total Revenue Recovered: \$123,861.95
 Grand Total Collection Expense: \$32,716.04
 Collection Expense %: 26%

**Nationwide Credit Corporation
P.O. Box 2005
Glasgow, Kentucky 42142
(270) 786-5463**

DELINQUENT ACCOUNT COLLECTION AGREEMENT

AGREEMENT made and entered into this 3rd day of September, 2003, by and between *Nationwide Credit Corporation*, Alexandria, Virginia, hereinafter referred to as "NCC" and *South Kentucky Rural Electric Coop.* hereinafter referred to as "the Client".

WITNESSETH

WHEREAS, the Client may have unpaid accounts which it may desire NCC to collect, and

WHEREAS, NCC is qualified to collect such unpaid accounts, and desires to handle such accounts as may be referred by the Client;

NOW THEREFORE IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN CONTAINED, THE PARTIES HERETO DO AGREE AS FOLLOWS:

I GENERAL

1. NCC's collection activities shall at all times be in compliance with all applicable Federal, State and Local laws or regulations and be courteous, dignified and "businesslike". NCC will refrain from any practices that may reflect discredit upon the Client, or adversely affect the Client's reputation.

NCC has, and at all times will, maintain all necessary licenses required to transact it's business in all jurisdictions that require licenses.

2. Nothing contained in this agreement shall be construed to create an agency or employment relationship between NCC and the Client.

3. If any part of this agreement shall be held to be void or unenforceable, such part shall be severable from the rest, leaving valid the remainder of this agreement, notwithstanding the part or parts found to be void or unenforceable.

4. NCC agrees that the Client will not be liable for any expense incurred by NCC incidental to the liquidation of the accounts placed with NCC for collection except court costs and service fees if legal action is requested by Client.

II SETTLEMENTS

1. No settlements or compromises either as to principal or interest may be made with respect to any of the Client's accounts indebtedness without prior authorization from the Client.

III SUITS

1. NCC will not refer any of the Client's accounts to an attorney without requesting and receiving the clients expressed authorization to do so in writing.

2. In certain jurisdictions, debts being litigated, based on bad checks, may have additional charges added to them. In such cases, the additional charges will be retained by NCC to offset the collection cost of accounts that are not collected.

IV DIRECT PAYMENTS

1. Payments received by the Client for accounts that have been referred to NCC will be reported to NCC promptly.

V FEES

1. NCC's collection commission will be calculated as follows for older loan accounts only

Account referred for regular collection effort:	45 %	33% <i>Updated</i>
Account referred for litigation:	50 %	40%

All court costs and service fees are the responsibility of the Client. An attempt will be made to recover all court costs advanced by the Client.

VI REMITTANCES

1. All collections made by NCC on the Client's accounts will be remitted to the Client in full. Statements will be mailed or delivered to the Client no later than the 15th following the closing of the month. NCC fee will be remitted no later than 30 days from receipt of statement.
2. If any balance due NCC is unpaid for over 60 days, a late fee of 1% per month will be assessed.
3. Remittance statements prepared by NCC will include account names, identification numbers, date of payments received by NCC or reported by the Client.
4. No fee will be charged as a direct result of funds collected through reconciliations, new service, social service money, capital credit payments, heat assistance, or funds as a consequence of court related action taken as a direct effort on clients part.

VII INDEMNIFICATION

The Client, it's agents, and employees shall not be liable for any loss, damage or injuries arising out of NCC's performance under this contract. NCC, it's heirs, executors, administrators, successors, and assignors hereby agree to indemnify and hold the Client, it's agents, and employees harmless from and against all such claims, demands, liabilities, suits or actions (including all reasonable expenses and attorneys fees incurred by or imposed upon the Client in connection therewith) for such loss, damage, or injury. Conversely, NCC, it's agents, and employees shall not be liable for any loss, damage, or injuries arising out of the Client's performance under this contract. The Client, it's heirs, executors, administrators, successors, and assignors hereby agree to indemnify and hold NCC, it's agents, and employees harmless from, and against all such claims, demands, and liabilities, suits or actions (including all reasonable expenses and attorney's fees incurred by or imposed upon NCC in connection herin) for such loss, damage, or injury.

VIII TERMS

1. This agreement shall be effective as of Today's Contract Signing Date, and continue in effect for a period of 1 year from the effective date of this agreement. This contract shall be automatically renewed each year unless either party has provided the other a termination notice within 30 days of the contract's expiration.
2. Upon termination of this agreement, NCC shall continue to provide collection services under the existing terms in this agreement on those Client accounts remaining in NCC's inventory.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized individuals as of the day and year first written.

BY: Jerry Hoff
REG VP

NATIONWIDE CREDIT CORPORATION

BY: Jeffery C. Green
NCC Office
Jeffery C. Green

you would consider for legal. If we send you accounts to review for legal and you approve, the collection rate once turned over to the attorney is 40% (our attorneys are contingency also).

From: Doug Roberts [mailto:dougr@skrecc.com]
Sent: Friday, April 09, 2010 2:00 PM
To: Mary Arthur
Subject: RE: Contract and Verification

Any bankruptcy acknowledgements or deceased persons let us know about. I will need to be able to determine whether or not to send the account to an attorney by signing off for it to be sent for legal collection action. There are often arrangements and circumstances that may not make it feasible to send to legal collection.

From: Mary Arthur [mailto:Mary.Arthur@nccva.com]
Sent: Friday, April 09, 2010 1:51 PM
To: Doug Roberts
Subject: RE: Contract and Verification

New accounts placed from April 2010 forward will be collected at 33% (All notes in your file indicate if an account is determined to need be sent to an attorney, we are to return to you, is that still correct?)

From: Doug Roberts [mailto:dougr@skrecc.com]
Sent: Friday, April 09, 2010 1:39 PM
To: Mary Arthur
Subject: RE: Contract and Verification

Ms Arthur:

This has the rate fees for old loan accounts only. Would you send me a rate for the new accounts we will begin to have you collect.

Doug Roberts

From: Mary Arthur [mailto:Mary.Arthur@nccva.com]
Sent: Friday, April 09, 2010 12:32 PM
To: Doug Roberts
Subject: Contract and Verification

Doug,

This is my written verification of our phone call last week. As we discussed, the attached contract remains in force according to the provisions noted in Section VIII item 1. There has been no 30 day notice delivered by either company, therefore the contract and its terms remain in effect. As I stated in our phone conversation, we are well aware of the various assistance programs available to utility customers and the fact agencies do not receive credit for payments made from those programs. We continue to agree with the provisions set forth in Section VI item 4 which lists the various items where we would not receive fee credit. We are aware there will be a 15% to 25% recall on each placement.

Please contact me if there is additional information you need.

Thank you,
Mary T. Arthur
Nationwide Credit Corporation/Healthcare Associates, Inc,

5/5/2010



Collection Services Agreement

This **Collection Service Agreement** ("Agreement") is entered into by **ONLINE Information Services, Inc.**, hereafter referred to as "Collector", a North Carolina corporation, d/b/a ONLINE Collections and **South Kentucky RECC** hereafter referred to as "Creditor", a KY corporation as of Tuesday, January 22, 2019.

WHEREAS, Creditor agrees to submit to Collector, each month, for collection certain claims, accounts or other evidences of Indebtedness (hereinafter called "Claims"), and

WHEREAS, Collector desires to provide Creditor with collection services and/or accounts receivable management services with respect to said Claims.

NOW THEREFORE, for and in consideration of the mutual covenants hereinafter set forth, it is mutually agreed by and between the parties hereto as follows:

1. GENERAL.

- A. The Creditor may refer any Claims that exceed \$50.00.
- B. Creditor agrees that all activities of Collector shall be carried out in compliance with all applicable federal, state and local laws.
- C. Creditor hereby warrants that all Claims forwarded to Collector will be valid and legally enforceable debts, and that Creditor will, both before and after forwarding said Claims, comply with all applicable federal, state and local laws with respect thereto.
- D. Further, Creditor agrees to provide, whenever requested to do so by Collector: a written verification of a Claim: a copy of the judgment, if any, on which a Claim is based: the name and address of the person or entity to whom the debt was originally owed, if different from Creditor.

2. RELATIONSHIP OF PARTIES.

- A. Collector agrees to employ those means necessary to represent Creditor in collecting all Claims referred for collection.
- B. It is expressly understood that all Claims shall remain the property of Creditor and that Collector is acting as an independent contractor of Creditor for the recovery of Claims referred for the Services.

3. REFERRAL OF CLAIMS

- A. Collector will receive all Claims placed for collection by electronic submission of a file to Collector's secure website or secure ftp site. Each Claim shall contain the name of guarantor, service address, dates of service, last known address, date of last payment, amount owed, social security number or federal tax identification number, phone number, and any additional information that may help locate the consumer.
- B. Creditor warrants, in order to aid Collector in complying with the Telephone Consumer Protection Act (TCPA), with regards to phone numbers supplied to Collector by Creditor, that Creditor **Does Not Have:**
 - i. Express written consent from the consumer to contact them at the phone numbers supplied via an automatic dialing device and may utilize pre-recorded or artificial voice messages for the purposes of collecting amounts owed.
 - ii. Sample Express Written Consent Language:
"You agree, in order for us to service your account or to collect any amounts you may owe, we may contact you by telephone at any telephone number associated with your account, including wireless telephone numbers, which could result in charges to you. We may also contact you by sending text messages or emails, using any email address you provide us. Methods of contact may include using pre-recorded or artificial voice messages and/or the use of an automatic dialing device, as applicable.

/We have read this disclosure and agree that South Kentucky RECC may contact me/us as described above."
- C. Creditor agrees that all Claims referred to Collector will be referred for a period of 12 months from the date of referral and that this referral will automatically renew itself on each anniversary for a period not to exceed six years and eleven months from the date of service of the Claim. At the end of three years and eleven months from the date of referral of a Claim, the Creditor shall have the option to recall any accounts not yet collected without Collector requiring any commission on the recalled Claims.

- D. Creditor agrees to place Claims with Collector no less frequently than monthly.
- E. Creditor hereby certifies and warrants that it will notify, through a mutually approved method, Collector within 48 hours of Creditor's receipt of any Bankruptcy filing, death notices, fraud notifications, or consumer disputes pertaining to any Claims referred to Collector for collection services.
- F. Collector agrees to cease any communication with a consumer if Creditor notifies Collector of a bankruptcy filing, death notice, fraud notification, or consumer dispute on a referred Claim.
- G. Creditor agrees that any Claim referred to Collector will not be referred to any other Collector.
- H. Collector agrees to acknowledge the receipt of Claims placed for recovery with Collector via an emailed report. It is understood and agreed that Creditor will review the Acknowledgement Report and correct any inaccuracies on these Claims within 7 business days of the receipt of the report. In the event that no updates are received by Collector within 7 business days, it is agreed that these Claims are correct and that any payments received by either party on these Claims shall be a commissionable event.
- I. Creditor agrees that if a file is sent to Collector that contains mass numbers of inaccuracies, which can only be corrected by cancelling all of the Claims and reloading them in Collector's system, Creditor maybe charged a fee for the reloading the Claims.
- J. Collector agrees to return to Creditor any Claims based on questionable circumstances.
- K. Creditor agrees to notify, through a mutually approved method, Collector within 48 hours of Creditor's receipt of notification on any consumer which is being represented by legal counsel in regards to any Claim referred to Collector.
- L. Creditor agrees that once Claims are placed with Collector, Collector is entitled to commissions as detailed in this agreement regardless of whether payment is made to Collector's office or directly to Creditor.
- M. Creditor agrees to report all payments made to Creditor's office within 72 hours and Collector agrees to identify the payment as part of consumer's file within 24 hours of notification of reported payments.

4. METHODS OF COLLECTION.

- A. Collector agrees to use effective and legal methods of collection.
- B. Collector agrees to comply with its obligations under the Fair Debt Collections Practices Act, the Fair Credit Reporting Act, as well as any state specific laws regarding third party collection services.
- C. Collector will attempt to skip trace (identify new location and contact information) on those Claims that have bad address or phone numbers.
- D. Collector will utilize mailed notices and telephone calls to affect collection on Creditor's behalf.
- E. Collector will utilize an automated dialer and messaging technology where allowed by law to contact affect collection on Creditor's Claims.
- F. Collector is a data furnisher to national credit reporting agencies and all Claims not collected in full or in a secured payment plan (e.g. credit card, Electronic check, ACH draft or other commercially available methods) within 30 days of referral will be reported to the national credit reporting agencies.

5. DISPUTED CLAIMS.

- A. It is mutually agreed that Collector will receive disputes and other correspondence from consumers in regards to Creditor's Claims. These will include balance owed disputes, validity of Claim disputes, and fraud disputes.
- B. Creditor agrees that it will aid Collector with respect to the Claims in its compliance with Collector's responsibilities as outlined in "OBLIGATIONS OF FURNISHERS UNDER THE FCRA", attached as Exhibit A.
- C. From time to time, Collector will request additional information and/or proof on certain Claims that are disputed by consumers. Creditor agrees to provide Collector with the necessary documentation to show the validity of the Claim against the appropriate consumer, such proof includes a copy of the signed service agreement or the last bill in the consumer's name.
- D. Creditor agrees to provide to Collector the additional information or proof within five (5) business days of Collector's electronic request.
- E. Collector will accept the additional information or proof regarding disputed Claims through its secure website.

6. ANNUAL RECONCILIATION OF CLAIMS.

- A. Collector and Creditor agree that ensuring the accuracy of each other's data in regards to the Claims is a necessity in order to ensure compliance with the appropriate laws, including the Fair Debt Collections Practices Act as well as the Fair Credit Reporting Act.
- B. It is mutually agreed that on the anniversary of this Agreement Collector shall send electronically to Creditor a list of not less than 25 Claims and Creditor agrees to verify the accuracy of the Claim and report to Collector any missing transactions or updates on said Claims.
- C. Creditor agrees if, in Collector's determination, there are a significant number of Claims in the sample that do not match between the systems; Creditor agrees to perform a full Claim reconciliation between Creditor's and Collector's systems.

7. **DISCOUNT OF CLAIMS.** Creditor Agrees / Does Not Agree to grant Collector authority to discount Claims on Creditor's behalf by N/A % of the total amount of the claim. If Creditor does not grant Collector general discount authority Collector can only discount Claims for less than the amount owed with special, Claim by Claim, approval of Creditor. Said Approval may be given by telephone from Creditor's office.

8. CLAIM ACCOUNTING

- A. Collector shall have authority to receive payments from consumers in cash, check, money order, credit card, Electronic check, ACH draft or other acceptable payment forms and will have the authority to endorse checks, drafts, money orders or other negotiable instruments which are received from consumers.
- B. Collector agrees to place all monies collected on Creditor's behalf into a trust account.
- C. Collector agrees to furnish a monthly statement to Creditor each month detailing each payment received at Collector's office as well as all direct payments made to Creditor's office.
- D. Creditor agrees and acknowledges that Collector will, from time to time, accept Checks and Credit cards as a method of collection of debts owed Creditor. Furthermore, both parties agree and acknowledge that these instruments serve as provisional settlements, and are subject to revocation, charge-back, dispute, refund or dishonor by the issuing financial institution. In the event that these disputed or dishonored funds have been remitted to the Creditor, both parties agree that this debt shall revert to an "Unpaid" status and Creditor shall repay or refund the disputed or dishonored amount to Collector. Collector will add a debt owed, by the consumer, directly to Collector for any NSF fees or charge-back fees incurred by Collector. At which time, Collector will make its best effort to pursue the dishonored payment to recover the unpaid balance owed Creditor.

9. COMMISSION ON CLAIMS. It is mutually agreed that any payment received on a Claim once it has been referred to Collector for collections services, whether the payment is made to Collector's or to Creditor's offices, will be a commissionable payment. Except for:

- A. **RECONNECTION OF SERVICE.** Collector agrees that payments made to Creditor by consumer on Claims, so that consumer can get new service with Creditor will not be commissionable
- B. **ACCOUNTS REFERRED IN ERROR.**
 - i. It is agreed that Collector shall send via electronic mail to the designated contact at Creditor a listing of Claims (Acknowledgement) that are referred for collection service within 24 hours of the Claims being loaded in to Collector's system.
 - ii. Creditor agrees to review the Acknowledgement and within seven business days notify Collector of any Claims which may have been referred in error.
 - iii. Collector agrees to cancel any Claim upon notification of Creditor within the seven days.
 - iv. If Creditor fails to notify Collector within seven business days that any Claim was referred in error then any payments made on the referred Claims will be commissionable.
- C. **CAPITAL CREDIT DISBURSEMENTS.** Collector agrees that no commission will be charged on capital credit amounts applied to the balances of referred Claims.
- D. **CHARITY, GOVERNMENT PROGRAMS.** Collector agrees that no commission will be charged on monies applied to Claims that are made by charities, government social service or government heat assistance programs.

10. COMPENSATION AND INVOICING

- A. Creditor agrees to pay the rate of **20%** for all Claims collected whose Date of Service and Date of Referral to Collector are less than, or equal to, 12 months (Primary Placement).
- B. Creditor agrees to pay the following rate of **20%** for all Claims collected whose Date of Service and Date of Referral to Collector are greater than 12 months (Secondary Placement).
- C. Creditor acknowledges that the contingency rates above are based upon the age of Claims at the time of referral and/or volume representations made by Creditor during the negotiation of this agreement. In the event that Creditor fails to meet the age of Claim and/or volume expectations, Collector reserves the right to adjust its charges to Creditor with a 30 day notice to Creditor prior to it going into effect.
- D. Creditor agrees that Collector will remit each month a check for monies collected at Collector's offices, minus any commissions due to Collector.
- E. Creditor agrees that the contingency rates are based on Creditor setting up and paying their monthly invoice via an automated payment method, either credit card or ACH.
- F. All billing is processed monthly between the 1st and the 5th for the previous month's services.
- G. Creditor agrees that Creditor has 20 days from the invoice date to dispute any charges appearing on the invoice.
- H. Collector will process the automated payment and deliver to Creditor an invoice marked "Paid in Full".
- I. All invoices will be delivered via electronic mail to the email addresses designated by Creditor.
- J. Creditor agrees that, if their automated payment method is declined, Collector may charge a Non-Sufficient Funds fee, not to exceed \$25.00.
- K. A service charge of 2% of the unpaid balance will be charged on all accounts not paid by the 1st day of the month following the invoice date.
- L. Services will be immediately terminated when account reaches 60 days past due. Services will not be reinstated until the full outstanding balance is paid in full and a valid automated payment method is setup with Collector.
- M. If account remains unpaid for 90 days the account will be referred to collections and/or legal proceedings initiated. Creditor agrees to pay Collector's cost and expenses, including reasonable attorney fees, to recover any unpaid balance owed by Creditor.

N. Creditor will be solely responsible for all federal, state and local taxes levied or assessed in connection with Collector's performance of the Services, other than income taxes assessed with respect to Collector's taxable net income, for which income taxes Collector will be solely responsible.

11. **INSURANCE.** Collector agrees to carry Liability Insurance.
12. **WARRANTIES.** Subject to Section 19 "Excusable Delays" hereof, Collector warrants to Creditor that Collector will use lawful and industry accepted methods to provide the Services. THE WARRANTY IN THE FIRST SENTENCE OF THIS PARAGRAPH IS THE ONLY WARRANTY COLLECTOR HAS GIVEN CREDITOR WITH RESPECT TO THE SERVICES AND SUCH WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, COLLECTOR MIGHT HAVE GIVEN CREDITOR WITH RESPECT THERETO, INCLUDING, FOR EXAMPLE AND WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.
13. **Limitation of Liability.** Creditor acknowledges that Collector provides the Services based on information supplied to Collector by Creditor. Creditor acknowledges that the Services are provided by human beings which are not infallible. Creditor also acknowledges that the fees Collector charges Creditor for the Services are based upon Collector's expectation that the risk of any loss or injury that may be incurred by use of the Services will be borne by Creditor and not Collector. Creditor therefore agrees that it is responsible for determining that the Services are in accordance with Collector's obligations under this Agreement. If Creditor reasonably determines that the Services do not meet Collector's obligations under this Agreement, Creditor shall so notify Collector in writing within ten (10) days after receipt of the Services in question. Creditor's failure to so notify Collector shall mean that Creditor accepts the Services as is, and Collector shall have no liability whatsoever for the Services. Unless Collector disputes Creditor's Claim, Collector shall, at its option, either re-perform the Services in question or issue Creditor a credit for the amount Creditor paid for the nonconforming Services. This re-performance or credit constitutes Creditor's sole remedy and Collector's maximum liability for any breach of this Agreement by Collector. If, notwithstanding the above, liability is imposed on Collector, then Creditor agrees that Collector's total liability for any or all of Creditor's losses or injuries from Collector's acts or omissions under this Agreement, regardless of the nature of the legal or equitable right claimed to have been violated, shall not exceed the amount paid by Creditor to Collector under this Agreement during the six month period preceding the alleged breach by Collector of this Agreement. Creditor covenants that it will not sue Collector for any amount greater than permitted by this Agreement. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, UNDER NO CIRCUMSTANCES WILL COLLECTOR HAVE ANY OBLIGATION OR LIABILITY TO CREDITOR HEREUNDER FOR ANY INCIDENTAL, INDIRECT, CONSEQUENTIAL OR SPECIAL DAMAGES INCURRED BY THE CREDITOR (INCLUDING DAMAGES FOR LOST BUSINESS, LOST PROFITS OR DAMAGES TO BUSINESS REPUTATION), REGARDLESS OF HOW SUCH DAMAGES ARISE AND REGARDLESS OF WHETHER OR NOT THE CREDITOR WAS ADVISED SUCH DAMAGES MIGHT ARISE.
14. **INDEMNIFICATION.** Creditor shall indemnify, defend and hold Collector harmless from and against any and all claims, losses, damages, costs and expenses, including reasonable attorney fees, which may be asserted against or incurred by Collector, based upon the use by Creditor of the Services for purposes not permitted by law. Creditor shall be liable for its own acts of negligence, and Creditor shall hold Collector harmless and indemnify Collector for any claims, damages, loss, cost, expense or liability (including reasonable attorney's fees) incurred by Collector as a result of Creditor's negligence in the furnishing of Claims to Collector, Creditor's failure to perform any of its obligations described in this Agreement or any other breach by Creditor of its obligations under this Agreement, or Creditor's failure to comply with appropriate laws.
15. **Intellectual Property.** Creditor acknowledges that Collector has expended substantial time, effort and funds to create and deliver the Services. The Services and any proprietary methods or mechanisms are and will continue to be Collector's exclusive property. Nothing contained in this Agreement shall be deemed to convey to Creditor or to any other party any right, title or interest, including any patent, copyright or other proprietary right, in or to the Services. Creditor will not use or permit its employees, agents and subcontractors to use, the trademarks, service marks, logos, names, or any other of Collector's or its affiliates' proprietary designations, whether registered or unregistered, without Collector's prior written consent. Under no circumstances will Creditor attempt in any manner, directly or indirectly, to discover or reverse engineer any confidential and proprietary criteria developed or used by Collector.
16. **Non-Solicit Clause.** During the term of this agreement and for a period of 1 year subsequent to the termination of this agreement, neither party shall (i). solicit, or encourage any organization directly or indirectly controlled by its management, Board, or shareholders, to solicit, any employee of the opposing party or any of its subsidiaries to leave the employ of the opposing party or any of its subsidiaries, (ii) solicit for employment, hire or engage as an independent contractor, or permit any organization directly or indirectly controlled by its management, Board, or shareholders, to solicit for employment, hire or engage as an independent contractor, any person who was employed by the opposing party or any of its subsidiaries at any time during the term of the Employee's employment with the other party or any of its subsidiaries; provided, that this clause shall not apply to any individual whose employment with the opposing party or any of its subsidiaries has been terminated for a period of one year or longer.
17. **Waiver.** Either party may at any time waive compliance by the other with any covenant or condition contained in this Agreement, but only by written instrument signed by the party waiving such compliance. No such waiver, however, shall be deemed to constitute the waiver of any such covenant or condition in any other circumstance or the waiver of any other covenant or condition.

18. **Successors and Assigns.** This Agreement will be binding upon and will inure to the benefit of the parties hereto and their respective heirs, representatives, successors and permitted assignees. This Agreement may not be assigned, transferred, shared or divided in whole or in part by Creditor without prior written consent; such consent shall not be unreasonably withheld.
19. **Excusable Delays.** Neither party shall be liable for any delay or failure in its performance under this Agreement (other than for payment obligations hereunder) if and to the extent that such delay or failure is caused by events beyond the reasonable control of the party including, without limitation, acts of God or public enemies, labor disputes, equipment malfunctions, computer downtime, software defects, material or component shortages, supplier failures, embargoes, rationing, acts of local, state or national governments or public agencies, utility or communication failures or delays, fire, earthquakes, flood, epidemics, riots and strikes.
20. **Dispute Resolution.** With the exception of any action taken under paragraphs 1, 3, and 4 or any alleged violation of paragraph 15, 16 and 20 of this Agreement, the parties will resolve any dispute arising out of or relating to this Agreement in a binding arbitration conducted under the auspices of the American Arbitration Association. Disputes arising out of or resulting from actions taken under paragraphs 1, 3, and 4 or 15, 16 and 20 may be resolved informally by the parties through the courts.
21. **Continuance of Business.** In the event that Creditor's business is sold, it is the Creditor's obligation to notify Collector, in writing, within 72 business hours of the effective date of the transaction.
22. **Notifications.** Creditor and Collector agree that any notifications to the other as it pertains to this Agreement shall be sent to the following contacts.

ONLINE Information Services, Inc.
J.W. Blair, President
P.O. Box 1489
Winterville, NC 28590

South Kentucky RECC
Attn: Michelle Herrman, VP of Finance
PO Box 910
Somerset, KY 42502

23. **Severability.** This Agreement shall be deemed to be severable and, if any provision is determined to be void or unenforceable, then that provision will be deemed severed and the remainder of the Agreement will remain in effect.
24. **TERMINATION OF AGREEMENT.**
- A. This Agreement is for a period of one year, and will automatically renew itself each year thereafter unless either party notifies the other in writing at least 30 days prior to the expiration of said agreement. Following the first anniversary this agreement may be terminated by either party with a thirty-day written notice.
- B. Notwithstanding the foregoing, if Creditor is delinquent in the payment of charges, violates applicable law or violates a material term of this Agreement, Collector may, at its election, discontinue providing the Services to Creditor and terminate this Agreement immediately by written notice to the Creditor.
- C. Notwithstanding anything to the contrary in this Agreement, if the continued provision of the Services or any affected component thereof becomes impossible, impractical, or undesirable due to a change in applicable federal, state, or local laws or regulations, as determined by Collector in its reasonable judgment, Collector may either (a) cease to provide the Services or any affected component thereof within, or pertaining to persons residing within, the affected jurisdiction, or (b) establish new prices which apply to Collector's Services or any affected component thereof when provided or delivered within, or pertaining to persons residing within, the affected jurisdiction, which prices will be reasonably calculated to cover the costs incurred by Collector in complying with the applicable laws or regulations and will become effective on the date specified in such notice unless Creditor objects in writing, in which case Collector may exercise its rights under clause (1) above. Collector will attempt to provide written notice of its actions as far in advance of the effective date as reasonably possible under the circumstances.
- D. **No Damages or Indemnification for Termination.** Neither party shall be liable to the other party for any costs or damages of any kind, including direct, special, exemplary, punitive, indirect, incidental or consequential damages, or for indemnification, solely on account of the lawful termination of this Agreement, even if informed of the possibility of such damages.
25. **Contract in Entirety; Law.** This Agreement sets forth the entire understanding and agreement between Collector and Creditor concerning the Services, and supersedes any prior or contemporaneous oral or written agreements or representations. It may be modified only by a written amendment executed by both parties. This Agreement shall be interpreted in accordance with the laws of the State of North Carolina.
26. **Effective Date.** This Agreement is effective beginning 2/18/19.

IN WITNESS WHEREOF, the parties' authorized representatives have executed this Agreement on the date indicated below.

Creditor: South Kentucky RECC
Signature: Dennis Holt
Print Name: Dennis Holt
Title: President & CEO
Email: DHolt@SKRECC.com
Date: 2/8/19
Federal Tax ID: 61-0344362

ONLINE Information Services, Inc.
dba/ ONLINE Collections

By: _____

Date: _____

Address: PO Box 1489
Winterville, NC 28590
www.ONLINECollections.com

Telephone: (866) 630-6400
Fax: (800) 838-9830

Address of Principal Business Office:

200 Electric Ave
Somerset, KY42501

Mailing Address (If Different):

PO Box 910
Somerset, KY42502

Exhibit "A"

All furnishers of information to consumer reporting agencies must comply with all applicable regulations. Information about applicable regulations currently in effect can be found at the Consumer Financial Protection Bureau's website, www.consumerfinance.gov/learnmore.

NOTICE TO FURNISHERS OF INFORMATION: OBLIGATIONS OF FURNISHERS UNDER THE FCRA

The federal Fair Credit Reporting Act (FCRA), 15 U.S.C. § 1681-1681y, imposes responsibilities on all persons who furnish information to consumer reporting agencies (CRAs). These responsibilities are found in Section 623 of the FCRA, 15 U.S.C. § 1681s-2. State law may impose additional requirements on furnishers. All furnishers of information to CRAs should become familiar with the applicable laws and may want to consult with their counsel to ensure that they are in compliance. The text of the FCRA is available at the website of the Consumer Financial Protection Bureau (CFPB): www.consumerfinance.gov/learnmore. A list of the sections of the FCRA cross-referenced to the U.S. Code is at the end of this document. Section 623 imposes the following duties upon furnishers:

Accuracy Guidelines

The FCRA requires furnishers to comply with federal guidelines and regulations dealing with the accuracy of information provided to CRAs by furnishers. Federal regulations and guidelines are available at www.consumerfinance.gov/learnmore. Section 623(e).

General Prohibition on Reporting Inaccurate Information

The FCRA prohibits information furnishers from providing information to a CRA that they know or have reasonable cause to believe is inaccurate. However, the furnisher is not subject to this general prohibition if it clearly and conspicuously specifies an address to which consumers may write to notify the furnisher that certain information is inaccurate. Sections 623(a)(1)(A) and (a)(1)(C).

Duty to Correct and Update Information

If at any time a person who regularly and in the ordinary course of business furnishes information to one or more CRAs determines that the information provided is not complete or accurate, the furnisher must promptly provide complete and accurate information to the CRA. In addition, the furnisher must notify all CRAs that received the information of any corrections, and must thereafter report only the complete and accurate information. Section 623(a)(2).

Duties After Notice of Dispute from Consumer

If a consumer notifies a furnisher, at an address specified by the furnisher for such notices, that specific information is inaccurate, and the information is, in fact, inaccurate, the furnisher must thereafter report the correct information to CRAs. Section 623(a)(1)(B).

If a consumer notifies a furnisher that the consumer disputes the completeness or accuracy of any information reported by the furnisher, the furnisher may not subsequently report that information to a CRA without providing notice of the dispute. Section 623(a)(3).

Furnishers must comply with federal regulations that identify when an information furnisher must investigate a dispute made directly to the furnisher by a consumer. Under these regulations, furnishers must complete an investigation within 30 days (or 45 days, if the consumer later provides relevant additional information) unless the dispute is frivolous or irrelevant or comes from a "credit repair organization." Section 623(a)(8). Federal regulations are available at www.consumerfinance.gov/learnmore. Section 623(a)(8).

Duties After Notice of Dispute from Consumer Reporting Agency

If a CRA notifies a furnisher that a consumer disputes the completeness or accuracy of information provided by the furnisher, the furnisher has a duty to follow certain procedures. The furnisher must:

- Conduct an investigation and review all relevant information provided by the CRA, including information given to the CRA by the consumer. Sections 623(b)(1)(A) and (b)(1)(B).
- Report the results to the CRA that referred the dispute, and, if the investigation establishes that the information was, in fact, incomplete or inaccurate, report the results to all CRAs to which the furnisher provided the information that compile and maintain files on a nationwide basis. Sections 623(b)(1)(C) and (b)(1)(D).
- Complete the above steps within 30 days from the date the CRA receives the dispute (or 45 days, if the consumer later provides relevant additional information to the CRA). Section 623(b)(2).
- Promptly modify or delete the information, or block its reporting. Section 623(b)(1)(E).

Duty to Report Voluntary Closing of Credit Accounts

If a consumer voluntarily closes a credit account, any person who regularly and in the ordinary course of business furnished information to one or more CRAs must report this fact when it provides information to CRAs for the time period in which the account was closed. Section 623(a)(4).

Duty to Report Dates of Delinquencies

If a furnisher reports information concerning a delinquent account placed for collection, charged to profit or loss, or subject to any similar action, the furnisher must, within 90 days after reporting the information, provide the CRA with the month and the year of the commencement of the delinquency that immediately preceded the action, so that the agency will know how long to keep the information in the consumer's file. Section 623(a)(5).

Any person, such as a debt Collector, that has acquired or is responsible for collecting delinquent accounts and that reports information to CRAs may comply with the requirements of Section 623(a)(5) (until there is a consumer dispute) by reporting the same delinquency date previously reported by the Creditor. If the Creditor did not report this date, they may comply with the FCRA by establishing reasonable procedures to obtain and report delinquency dates, or, if a delinquency date cannot be reasonably obtained, by following reasonable procedures to ensure that the date reported precedes the date when the account was placed for collection, charged to profit or loss, or subjected to any similar action. Section 623(a)(5).

Duties of Financial Institutions When Reporting Negative Information

Financial institutions that furnish information to "nationwide" consumer reporting agencies, as defined in Section 603(p), must notify consumers in writing if they may furnish or have furnished negative information to a CRA. Section 623(a)(7). The CFPB has prescribed model disclosures, 12 CFR Part 1022, App. B.

Duties When Furnishing Medical Information

A furnisher whose primary business is providing medical services, products, or devices (and such furnisher's agents or assignees) is a medical information furnisher for the purposes of the FCRA and must notify all CRAs to which it reports of this fact. Section 623(a)(9). This notice will enable CRAs to comply with their duties under Section 604(g) when reporting medical information.

Duties when ID Theft Occurs

All furnishers must have in place reasonable procedures to respond to notifications from CRAs that information furnished is the result of identity theft, and to prevent refurnishing the information in the future. A furnisher may not furnish information that a consumer has identified as resulting from identity theft unless the furnisher subsequently knows or is informed by the consumer that the information is correct. Section 623(a)(6). If a furnisher learns that it has furnished inaccurate information due to identity theft, it must notify each CRA of the correct information and must thereafter report only complete and accurate information. Section 623(a)(2). When any furnisher of information is notified pursuant to the procedures set forth in Section 605B that a debt has resulted from identity theft, the furnisher may not sell, transfer, or place for collection the debt except in certain limited circumstances. Section 615(f).

The CFPB's website, www.consumerfinance.gov/learnmore, has more information about the FCRA, including publications for businesses and the full text of the FCRA.

Citations for FCRA sections in the U.S. Code, 15 U.S.C. § 1681 et seq.:

Section 602 15 U.S.C. 1681 Section 615 15 U.S.C. 1681m
Section 603 15 U.S.C. 1681a Section 616 15 U.S.C. 1681n
Section 604 15 U.S.C. 1681b Section 617 15 U.S.C. 1681o
Section 605 15 U.S.C. 1681c Section 618 15 U.S.C. 1681p
Section 605A 15 U.S.C. 1681c-A Section 619 15 U.S.C. 1681q
Section 605B 15 U.S.C. 1681c-B Section 620 15 U.S.C. 1681r
Section 606 15 U.S.C. 1681d Section 621 15 U.S.C. 1681s
Section 607 15 U.S.C. 1681e Section 622 15 U.S.C. 1681s-1
Section 608 15 U.S.C. 1681f Section 623 15 U.S.C. 1681s-2
Section 609 15 U.S.C. 1681g Section 624 15 U.S.C. 1681t
Section 610 15 U.S.C. 1681h Section 625 15 U.S.C. 1681u
Section 611 15 U.S.C. 1681i Section 626 15 U.S.C. 1681v
Section 612 15 U.S.C. 1681j Section 627 15 U.S.C. 1681w
Section 613 15 U.S.C. 1681k Section 628 15 U.S.C. 1681x
Section 614 15 U.S.C. 1681l Section 629 15 U.S.C. 1681y

SOUTH KENTUCKY RECC
PSC CASE NO. 2021-00407
FOURTH REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION—04/04/22
REQUEST 3

RESPONSIBLE PERSON: Steve Seelye
COMPANY: South Kentucky RECC

Request 3. Refer to South Kentucky RECC's response to Staff's Third Request, Item 15. Confirm that the cost support for special charges includes connect, reconnect, collection, and meter reading.

Response 3. Confirmed. For a disconnect and reconnection of service the cost for a Special Trip of \$79.00 per trip for regular hours and the \$360 per trip for overtime hours include the cost of connection and reconnection. Collection and automatic meter reading are not involved in the service and; therefore, are not included in the charge.

**SOUTH KENTUCKY RECC
PSC CASE NO. 2021-00407
FOURTH REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION—04/04/22
REQUEST 4**

RESPONSIBLE PERSONS: Michelle Herrman and Steve Seelye

COMPANY: South Kentucky RECC

Request 4. Refer to Case No. 2013-00198 and Tariff Original Sheet No. T-38, Prepay Metering Program.

a. South Kentucky RECC estimated that approximately 3 percent of its members would elect to participate in the prepay program. Provide the percentage of South Kentucky RECC's members that are currently enrolled in the prepay program.

b. Refer to Exhibit E of the application for Case No. 2013-00198. Provide support that the \$9.00 monthly prepaid fee remains valid and reasonable.

Response 4.

a. As of April 7, 2022, South Kentucky currently has 5.8% of our member accounts participating in the prepay program. This total number is 3,962 member accounts and includes 91 member accounts that are currently inactive due to a lack of a credit balance in the prepaid account. These inactive accounts continue to accrue the \$0.30 charge per day. Many of these inactive accounts have been activated less than a year. Our current contract requires that they maintain electric service for a minimum period of one year. We requested to change this language as part of this application to include verbiage that,

If there is no usage on the prepaid electric service for 90 days or more, the electric service may be disconnected.

Please see our Application, Exhibit 4, page 6, paragraph 22; and page 9, paragraph 25.

b. As shown in the response to Question 31 of the Commission Staff's Second Request for Information dated January 19, 2022, the current cost support for the monthly prepaid fee indicates a monthly cost of \$13.00. South Kentucky is not proposing to increase the fee from its current level of \$9.00 per month to \$13.00 per month. While the current charge is less than full cost of service, the prepaid fee is within the zone of reasonableness for the charge. Increasing the monthly fee to \$13.00 could impact customers who already have difficulty paying their bills.

SOUTH KENTUCKY RECC
PSC CASE NO. 2021-00407
FOURTH REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF’S FOURTH REQUEST FOR INFORMATION—04/04/22
REQUEST 5

RESPONSIBLE PERSONS: Michelle Herrman and Steve Seelye
COMPANY: South Kentucky RECC

Request 5. In Case No. 2018-00251, Salt River Electric Cooperative Corporation (Salt River Electric) received approval to discontinue its residential marketing rate for customers who have Electric Thermal Storage (ETS) heaters.

a. Salt River Electric noted that due to changes in the rate structures at Salt River Electric’s wholesale electric provider, East Kentucky Power Cooperative over time had resulted in a cost shift to non-ETS customers.

(1) Explain whether South Kentucky RECC has studied any cost shifts to its non-ETS customers. If so, provide the study and the percent of this cost shift.

(2) Explain whether the proposed rate design results in a cost shift to non-ETS customers. If so, provide the study and the percent of this cost shift.

- b. Explain whether or not South Kentucky RECC still markets ETS units.
- c. Explain whether or not South Kentucky RECC offers repair service to ETS units.
- d. Provide the number of ETS units on South Kentucky RECC’s service territory.

Response 5.

- a. (1). No, South Kentucky has not performed any studies related to cost shifts.
- a. (2). Because South Kentucky has not performed any studies related to cost shifts from ETS to non-ETS customers, South Kentucky cannot confirm that the proposed rate design results in a cost shift to non-ETS customers.
- b. No. South Kentucky no longer markets ETS. The last ETS unit under contract was installed on November 19, 2013. According to South Kentucky's filed tariffs with the Public Service Commission, DSM-10- the Electric Thermal Storage Incentive Program, P.S.C. No. 7, Original Sheet No. 37, still remains in effect.
- c. Yes, in accordance with our tariff South Kentucky offers repair service to ETS units that were sold within the last 10 years. We currently have 13 residential units with active maintenance contracts. Please see the attached Off-Peak Electric Thermal Storage Heating Contract and Service Maintenance Agreement forms. We currently intend to honor these maintenance agreements through 2023, when the last contract is due to expire.
- d. South Kentucky's system included 1,161 active ETS units as of April 5, 2022. Of these 1,158 are residential units and 3 units are Small Commercial.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION OFF-PEAK ELECTRIC THERMAL STORAGE HEATING CONTRACT

This agreement made and entered into between South Kentucky Rural Electric Cooperative Corporation (hereinafter called South Kentucky), and

(Hereinafter called Member, whether single or plural)

WITNESSETH:

That in consideration of the mutual promises and covenants hereinafter set forth, the parties agree as follows:

1. Member to purchase an electric thermal storage heating unit(s), hereinafter called ETS unit(s) from South Kentucky.
 - a. Member agrees for South Kentucky and/or representatives to modify such existing wiring, including the right to add or replace necessary wiring and equipment in the residence to accommodate ETS unit(s).
 - b. The cost of all labor and material will be at the members' expense.
2. Member may purchase an ETS unit(s) from other sources, but must agree to the special metering and wiring specifications set forth by South Kentucky before special discounted electric rates can be granted.
3. After installation of the unit(s), South Kentucky guarantees a minimum of ten (10) hours of off-peak storage availability per day during the seven (7) month heating season of October through April for ten (10) years from the date of installation. South Kentucky further guarantees that the energy used by off-peak ETS unit(s) will be discounted at a rate below the regular residential or small commercial rates for the (10) years from date of installation. This is contingent upon East Kentucky Power being the energy supplier of choice.
4. South Kentucky fully warrants labor for one (1) year and parts for five (5) years from date of installation on ETS unit(s) purchased from same.
South Kentucky will continue to service ETS unit(s), at the member's expense.
5. Installed ETS unit(s) are considered permanent installations. Relocation of installed units inside or outside the home will void the free parts and service portion of the warranty, unless the reinstallation is done by an ETS certified installer. It is recommended not to move heaters unless absolutely necessary.
6. Member agrees to participate in any electronic load control program initiated by South Kentucky that insures a minimum of ten (10) hours per day charging time for ETS unit(s).
7. The rate discount offered herein may be transferred or assigned to another consumer of South Kentucky who resides in, rents, leases, or purchases a residence equipped with approved ETS unit(s), providing such consumer abides by the terms of this contract and accompanying tariff.
8. South Kentucky retains the right to periodically inspect ETS unit(s) installations through its' employees or representatives.
9. Discounted rates for ETS energy used is contingent upon: modified wiring, equipment, and/or timing devices operating as designed by South Kentucky employees or representative, and East Kentucky Power, who is our partner on this rate, being the supplier of choice. In the event such operation is circumvented by cause other than negligence by authorized installers or defects in material and /or equipment, a penalty will be applied to the member at the discounted regular residential or small commercial rates.
10. All modifications, additions, or replacement to existing wiring and equipment will be done in accordance with safety standards as outlined in the latest edition of the National Electric Code.

South Kentucky, its employees, or representatives shall not be held liable for any damages resulting from use of ETS unit(s) and members shall indemnify and save South Kentucky harmless therefrom.

This _____ day of _____, 20_____.

By: _____
(South Kentucky Employee/Representative)

Member #: _____

Member: _____

Location #: _____

Address: _____

Meter #: _____

Name _____
Address _____



Witnesses: Michelle Herrman and Steve Seelye
Location # _____
Member # _____

ETS Service Agreement

Service Agreement Terms and Conditions:

1. South Ky RECC will provide full coverage of labor and parts expense beyond the manufacture's warranty on the Electric Thermal Storage heater(s), the off-peak service and control equipment.
2. The service will be performed by a qualified service technician during our regular business hours unless ETS is the only source of heat, in which case 24-hour service will be provided.
3. Your service agreement is for a one year period and will be charged at a rate of \$5.00 per heater per month for each heater less than 10 years old. This amount will be added to your ETS electric bill monthly.
4. A commitment of 12 months of the service agreement is required and will automatically renew annually unless you notify us in writing of your wish to cancel. The rate charged is guaranteed for 12 months. You will be notified if any changes are necessary after that time.
5. Your service agreement will not cover the following:
 - a. damages due to the heater being moved by anyone other than our authorized service technicians.
 - b. routine fan cleaning.
 - c. service calls for incorrect charge setting, or breakers not being turned on.
 - d. cabinet dents or chips and discoloring due to improper cleaning.
 - e. damage or loss caused by any sources other than heater components or service equipment failure.
6. If you choose not to enter into a service agreement, your service call will be charged at a rate that is in effect at that time, which presently is \$100.00 for the first hour and \$45.00 for each additional hour plus the cost of parts.

Heaters covered under this agreement:

1.	_____	_____	_____
	kw & Model #	Serial #	Install Date
2.	_____	_____	_____
	kw & Model #	Serial #	Install Date
3.	_____	_____	_____
	kw & Model #	Serial #	Install Date
4.	_____	_____	_____
	kw & Model #	Serial #	Install Date
5.	_____	_____	_____
	kw & Model #	Serial #	Install Date
6.	_____	_____	_____
	kw & Model #	Serial #	Install Date

Number of Heaters Listed _____ x \$5.00 = _____
under 10 years old

Total Monthly Charge _____

I agree to the above listed terms and conditions executed this day of _____ 20_____

Member

So Ky Representative

SOUTH KENTUCKY RECC
PSC CASE NO. 2021-00407
FOURTH REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION—04/04/22
REQUEST 6

RESPONSIBLE PERSONS: Ken Simmons

COMPANY: South Kentucky RECC

Request 6. Provide the contractors that South Kentucky RECC uses for right-of-way maintenance.

Response 6.

The contractors that South Kentucky uses for right-of-way maintenance are as follows:

1. Phillips Tree Experts
2. W.A. Kendall
3. A Cut Above
4. Protec Terra
5. Cumberland Tree
6. T&S Growth Solutions

SOUTH KENTUCKY RECC

PSC CASE NO. 2021-00407

FOURTH REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION—04/04/22

REQUEST 7

RESPONSIBLE PERSON: Michelle Herrman

COMPANY: South Kentucky RECC

Request 7. Provide South Kentucky RECC's policy regarding after hours reconnections, including whether customers are notified that the reconnection will be performed at the higher after-hours rate when the service is requested and whether South Kentucky RECC has the right to postpone an after-hours request until the following business day.

Response 7.

South Kentucky currently follows its tariffed rules and regulations at Section 2.50 and Section 2.60(c). After-hours reconnection is only done at the request of the member. Members are made aware of the cost for after-hours trips and the need to advise us if they would like the reconnection accomplished during the after-hours window.

In following the tariff, South Kentucky does not have the right to postpone an after-hours request until the following business day. However, South Kentucky would not be opposed to language indicating such, especially in situations of inclement weather and other safety related situations.