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December 18, 2012

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Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED

DEC 19 2012

PUBLIC SERVICE
COMMISSION

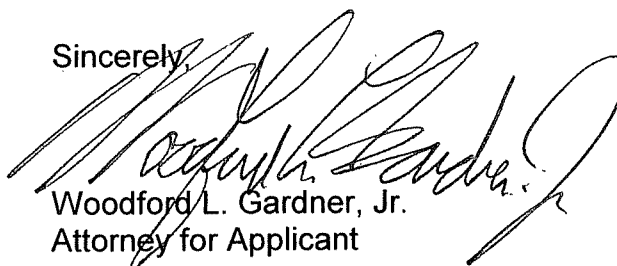
Re: Case No. 2012-00437

Dear Mr. Derouen:

Enclose, jointly, for filing is the original and eight (8) copies of the Commission Staff's Second Information Request, dated December 5, 2012, and the Commission Staff's Supplement to Second Information Request, dated December 12, 2012, regarding the Application of Farmers Rural Electric Cooperative Corporation for Approval of a Prepay Metering Tariff.

Thank you for your assistance.

Sincerely,



Woodford L. Gardner, Jr.
Attorney for Applicant

Enclosures
cc: William T. Prather

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION)
FOR APPROVAL OF A PREPAY METERING TARIFF)

CASE NO.
2012-00437

RESPONSE TO COMMISSION STAFF'S
SECOND INFORMATION REQUEST
AND SUPPLEMENT TO SECOND REQUEST TO
FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

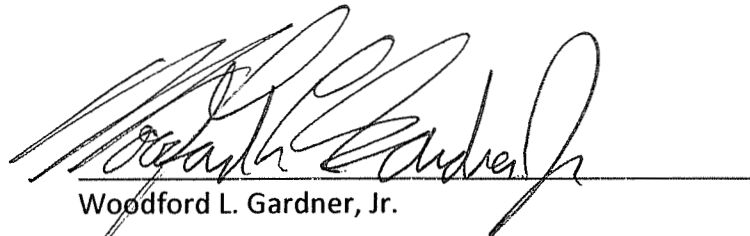
FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION)
FOR APPROVAL OF A PREPAY METERING TARIFF)

CASE NO.
2012-00437

**APPLICANT'S RESPONSES TO COMMISSION STAFF'S SECOND REQUEST
AND SUPPLEMENT TO SECOND REQUEST FOR INFORMATION.**

The applicant, Farmers Rural Electric Cooperative Corporation ("Farmers"), makes the following responses to the Commission Staff's Second Request and Supplement to Second Request for Information as follows:

1. The witness who is prepared to answer questions concerning each request is William T. Prather.
2. William T. Prather, President & CEO of Farmers, is the person supervising the preparation of the responses on behalf of the applicant.
3. The responses and exhibits are attached hereto and incorporated by reference herein.



Woodford L. Gardner, Jr.

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RESPONSE 1

Second Information Request

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2012-00437
SECOND INFORMATION REQUEST RESPONSE

Request 1.a. State whether the software to be used in the pre-pay metering system will support in-home displays.

Response 1.a. Farmers utilizes Aclara/TWACS for its AMI system. The system is capable of accommodating an in-home display with the purchase of an additional software enhancement module from Aclara.

If Farmers were to offer an in-home display, we would need to purchase the in-home display units, an Aclara software enhancement, pay for annual software maintenance/licensing, and purchase computer equipment to manage this option.

Request 1.b. If there were ever to be an in-home display as part of the program, would there be a charge? If so, explain who would pay for providing the display.

Response 1.b. If Farmers were to offer an in-home display option, there would need to be a charge to recover the cost of that optional program offering. Those prepay members choosing to have an in-home display should be responsible for those additional costs. The cost for providing this incremental service would require an investment of approximately \$22,000 for software, hardware, and ancillary charges. The cost of the in-home monitor is currently \$124.00 each, plus tax.

Farmers approach to this program has been to keep the overhead costs of providing the prepay option to a minimum, which in the best interests of those members participating in the prepay program. We do not believe that in-home displays are a critical requirement for making such a program a success as the member can access information 24/7/365 with a simple phone call to our automated IVR system, or access the data via the Internet through their mobile phone or computer.

The investment in the software and hardware necessary to provide the in-home display option would be necessary whether one member or several thousand were to request that option. It is a real concern of Farmers that if this option were made available, that demand would not be high and that a large investment would have been made with no fair way of recovering the cost.

Witness: William T. Prather

RESPONSE 2

Second Information Request

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2012-00437
SECOND INFORMATION REQUEST RESPONSE

Request 2. Explain how Farmers plans to market and inform residential member-customers about the pre-pay metering program.

Response 2. Farmers plans to market and inform its members of this program primarily through direct mail via bill inserts in their monthly bill. We have found that to be the most effective way of attracting the attention of members. We will also inform members as we have direct contact with them in discussions about late payments, high bills, etc. We will also use our monthly member newsletter, press releases, and other various advertisements to promote the program.

We believe that a prepay program is much more than a program to be directed at members who are financially stressed. A prepay program is a very practical method of promoting the more efficient use of electricity and can therefore be considered a very effective demand-side management program. Prepay more actively engages the member in monitoring and managing their daily energy usage, and therefore, incentivizes the member to use energy more wisely. We plan to market the program from this perspective to broaden its appeal and impact.

Witness: William T. Prather

RESPONSE 3

Second Information Request

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2012-00437
SECOND INFORMATION REQUEST RESPONSE

Request 3. State by what date Farmers would like to implement the Pay-As-You-Go (PrePay) Residential Rider.

Response 3. Farmers would like to implement the program and have it available to our members March 1, 2013.

Witness: William T. Prather

RESPONSE 1

Supplement to Second Information Request

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2012-00437
SUPPLEMENT TO SECOND INFORMATION REQUEST RESPONSE

Request 1. Refer to Prepay Metering Program of Blue Grass Energy Cooperative Corporation ("Blue Grass"), Original Sheet No. 171, Item 11, which states, "Prepay accounts will not be subject to deposits, late fees, disconnect fees, and reconnect fees."

Request 1.a. State whether or not Farmers intends to administer its prepay metering program in the same manner as Blue Grass with respects to deposits, late fees, disconnect fees, and reconnect fees.

Response 1.a. Farmers does intend to administer its prepay metering program in the same manner as Blue Grass with respects to deposits, late fees, disconnect fees, and reconnect fees.

Request 1.b. If yes, provide an updated Pay-As-You-Go (Prepay) Residential Rider and Agreement for Participation in the Pay-As-You-Go Program.

Response 1.b. An updated Pay-As-You-Go (Prepay) Residential Rider is attached hereto as Exhibit 1; the new language is written as Item No. 9. An updated Agreement for Participation is attached hereto as Exhibit 2; the new language is written as Item No. 7.

Request 1.c. If no, explain Farmers' plans with respect to deposits, late fees, disconnect fees, and reconnect fees and provide revised Pay-As-You-Go (PrePay) Residential Rider and Agreement in the Pay-As-You-Go Program.

Response 1.c. Refer to Responses 1.a. and 1.b. above.

Witness: William T. Prather

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

Pay-As-You-Go (PrePay) Residential Rider

Purpose

To provide members with a payment option that may assist them in managing and controlling their energy purchases.

Availability

This is an optional rider to Farmers RECC's Schedule R - Residential tariff and is available to all members being served under that tariff.

Terms and Conditions

Pay-As-You-Go ("prepay") is a voluntary program. Members who qualify for this rider may choose to enroll their electric account(s) in this program. All members who participate in this program are subject to the following:

1. Each member choosing the prepay option will be subject to all other applicable rules and regulations which apply to members using the residential tariff without the prepay rider.
2. Members should have internet access to participate in this voluntary program.
3. A new member will be required to pay the membership fee and be entitled to all member benefits as current members.
4. All members enrolling in the Pay-As-You-Go program shall sign a prepay agreement. The agreement shall be in effect until the member desires to cancel. The member may convert to normal monthly credit/payment terms at any time by request. At this point the member will be subject to conditions of the residential tariff without the prepay rider. This may include the requirement of a deposit. If any special equipment has been issued to the member for participation in this program, the member will be required to return the equipment. Refusal by the member to return all equipment in working order shall result in being charged for replacement cost of the equipment.
5. The Customer Charge will be the same as Farmers RECC's regular residential tariff. The Program Fee shall be \$3.18. Both the Customer Charge and Program Fee will be pro-rated and deducted from the member's account on a daily basis.

DATE OF ISSUE _____
Month/ Date/ Year

DATE EFFECTIVE _____

ISSUED BY _____
(Signature of Officer)

TITLE _____
BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

Pay-As-You-Go (PrePay) Residential Rider

6. A one-time service fee of \$30.00 will be charged to install the equipment for prepay use. Should the member cease participation in the program, a one-time fee of \$30.00 will be charged to uninstall the equipment for prepay use.
7. The Energy Charge will be the same as Farmers RECC's regular residential tariff.
8. The Fuel Adjustment and the Environmental Surcharge will be charged or credited to the account based upon the time of purchase. The Fuel Adjustment and Environmental Surcharge will be the rates in effect for the month of purchase.
9. The Pay-As-You-Go account will not be subject to deposits, late fees, disconnect fees, and reconnect fees.
10. At the time the prepay account is activated, the initial purchase is recommended to be a minimum of \$100.00. Purchases beyond the point of activation will be at an increment of the member's choosing, with a minimum purchase being \$10.00.
11. When an existing member chooses to convert to the prepay program and has a deposit on file with the Cooperative, the deposit and accumulated interest will not be refunded, but converted into a credit on the account going forward. No crediting of the deposit to the prepay account shall occur if the deposit is needed to cover a pre-existing indebtedness by the member or the member has another account(s) which does not have a satisfactory credit history, the remaining credit will be transferred as a deposit to the unsecured account(s).
12. Once enrolled in the Pay-As-You-Go program, no additional payment arrangements will be made.
13. If an agency submits or has already submitted (but not yet paid) a voucher or other financial assistance to an account, the full amount of the assistance will be applied to the prepay account.
14. If a member who has not been in the Pay-As-You-Go program is disconnected for non-payment, they may request to be reconnected and enrolled in the program. If they are unable to pay their account balance in full, they will be offered a payment plan whereas future purchases will be split 70/30 until the old debt is retired. Seventy percent (70%) of the payments will be applied to new purchases, and thirty percent (30%) will be applied towards retirement of the previous balance minus any applicable deposit.
15. Members may check the status of their account(s) by utilizing the Cooperative's website or by calling the office at any time.

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(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

EXHIBIT 1
Page 2 of 4

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

Pay-As-You-Go (PrePay) Residential Rider

16. Members may apply funds to their prepay account(s) by mail, telephone, or via the Cooperative's website by E-Check, Visa, MasterCard, or Discover credit cards. Payment may also occur in person during the Cooperative's regular office hours.
17. If a payment on a prepay account is returned for any reason, the account is subject to the service charge listed in Farmers RECC's Rules and Regulations.
18. Members who present a Winter Hardship Reconnect, Certificate of Need, or Medical Certificate as outlined in 807 KAR 5:006, Sections 13,14,and 15 will be removed from the program and the account will become a post-pay account.
19. A monthly paper bill will not be mailed to members who elect to receive the Pay-As-You-Go program. However, the member may view their prepay account status on the Cooperative's website. Due to the Pay-As-You-Go status of an account, a delinquent notice will not be mailed as the account should never be in arrears.
20. If a member elects to enroll an account in prepay, the total amount of any existing payment arrangements/contracts will be applied to the account so the full unpaid balance will be reflected on the prepay account.
21. When the amount of funds remaining in a prepay account reaches the threshold of \$25.00, automated message(s) will be sent to the member rather than a written notice sent by U.S. Mail.
22. A Pay-As-You-Go account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather/temperature as the member is responsible for ensuring that the prepay account is adequately funded. If the member cannot ensure proper funding, Farmers RECC recommends the member not utilize the prepay service.
23. If a prepay account is disconnected due to lack of funds or any other reason, the Cooperative shall be held harmless for any damages due to loss of energy services. Likewise, if the account is disconnected and the member applies funds to the account thus causing the account to be reconnected, the member accepts full responsibility for any damages to the location caused by the account being reconnected.
24. Prepay accounts will be billed at least once a day to show the remaining funds on the account. If a meter reading is not available, the account will not be billed until a reading is available. In addition, a month-end billing will be done to "true up" any unbilled charges. Charges such as the customer charge, kWh, fuel adjustment and environmental surcharge, franchise fee, security lights and applicable taxes will be prorated daily. Charges such as Operation WarmHearts (Roundup), EnviroWatts, etc. will be charged during the first billing of each month.

DATE OF ISSUE _____

Month/ Date/ Year

DATE EFFECTIVE _____

ISSUED BY _____

(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

FOR ALL TERRITORY SERVED
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P.S.C. KY. NO. _____

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_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

Pay-As-You-Go (PrePay) Residential Rider

25. When a member requests to have the power disconnected and they have a credit balance on their prepay account, their remaining balance will be refunded. If the member has another account the credit will be transferred to that account, otherwise, the refund will be issued to the member in the form of a check.
26. The member will be billed for replacement cost of any damaged equipment such as the meter or meter collar, when such damage occurs as a result of malice or neglect by the member.

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TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
 AGREEMENT FOR PARTICIPATION IN THE PAY-AS-YOU-GO PROGRAM**

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

The undersigned (hereinafter called the “member”) hereby applies for participation in the voluntary Pay-As-You-Go Electric Service Program offered to members of Farmers Rural Electric Cooperative Corporation (hereinafter called the “Cooperative”), and agrees to the following terms and conditions:

1. The member shall purchase electric energy from the Cooperative in accordance with the present and any future rate schedule of the Cooperative on a Pay-As-You-Go basis for the above referenced account.
2. The member understands that the terms and conditions set forth in the member’s Application for Membership continue to apply in addition to the terms and conditions of this Agreement for Pay-As-You-Go Electric Service, subject, however, to any changes set forth in this agreement.
3. The member shall pay any membership and fees as applicable by the Cooperative bylaws and the Cooperative Rules and Regulations as approved by the Kentucky Public Service Commission as may be required for the member to participate in the Pay-As-You-Go Electric Service Program.
4. Any deposit on the above referenced account will be applied to the account before the account changes to Pay-As-You-Go. Any credit remaining on the account will be applied to the Pay-As-You-Go account. However, if the member has another account(s) which does not have a satisfactory credit history, the remaining credit will be transferred as a deposit to the unsecured account(s). The deposit will only be refunded by applying it to the member’s account(s) as described.
5. As a result of participation in the Pay-As-You-Go Program, the member will not be mailed a monthly paper bill for electric usage or other applicable fees or charges.
6. The member shall pay an additional daily program fee. This amount will be in addition to the charges included in the Cooperative’s Residential rate schedule.
7. The Pay-As-You-Go Account shall not be subject to deposits, late fees, disconnect fees, and reconnect fees.
8. If a member changes any of the contact information (i.e. e-mail address, phone number, etc.) provided on this agreement, it is the responsibility of the member to notify the Cooperative of any such changes immediately. It is the member’s responsibility to manage their own communication devices.
9. When the amount of funds remaining on a Pay-As-You-Go account reaches the established threshold of \$25.00, an automated message will be sent to the member rather than a traditional, written notice sent by U.S. Mail. Farmers will not be responsible for any failure of the member to receive the automated message for any reason(s).
10. The member shall be responsible for regularly monitoring the balance on the Pay-As-You-Go account and understands that the electric service will be subject to disconnection without any written notification from the Cooperative to the member once the balance of the account goes negative. If the member cannot ensure proper funding, Farmers RECC recommends the member not utilize the Pay-As-You-Go service.
11. Levelized budget billing, automatic payment draft and net metering are not eligible for Pay-As-You-Go.

12. Should the member have a payment returned for any reason, the returned payment will be charged to the Pay-As-You-Go account. The member's account shall also be charged a return payment fee in addition to the returned payment amount. If there are not sufficient funds to cover the returned item and fee, the account will be disconnected immediately.
13. If a Pay-As-You-Go account is disconnected due to lack of funds or any other reason, the Cooperative shall be held harmless for any damages due to loss of energy services. Likewise, if the account is disconnected and the member applied funds to the Pay-As-You-Go account thus causing the account to be reconnected, the member accepts full responsibility for any damages to the location caused by the account being reconnected and holds the Cooperative harmless from any damages arising from such a reconnection.
14. By signing this agreement, the member affirms there are no residents in the home currently that have medical conditions that will be impacted by loss of service. Should this status change, the member shall contact the Cooperative in writing, upon which the account will be removed from the Pay-As-You-Go program. It is the responsibility of the member to confirm the Cooperative is in receipt of the written request for removal from the program.
15. A Pay-As-You-Go account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather/temperatures as the member is responsible for ensuring that the Pay-As-You-Go account is adequately funded. Pay-As-You-Go accounts shall not be eligible for payment arrangements with the Cooperative and energy assistance shall not be applied until received as payment on the member's Pay-As-You-Go account.
16. If a member on a Pay-As-You-Go account presents a Certificate of Need, a Medical Certificate or qualifies for a Winter Hardship Reconnect, the member will be required to transfer to a post pay account.
17. The member authorizes the Cooperative to transfer the unpaid balance of \$ _____ from the member's post pay account to the Pay-As-You-Go account. The member also authorizes the kWh used since the last bill date until the meter is changed to Pay-As-You-Go meter be calculated and transferred to the Pay-As-You-Go account. The member further agrees that thirty percent (30%) of any payments made on this account in the future shall be applied to the balance until said balance is paid in full. Any fees/penalties (returned payment, meter tampering, etc.) shall be paid before any payments are applied to the member's Pay-As-You-Go account.
18. If a member wishes to disconnect service, the member shall be refunded any balance on the Pay-As-You-Go account. Any refund will be processed in the same manner as post pay account refunds
19. The member is required to confirm that he/she can receive electronic communications to be eligible for the Pay-As-You-Go program.
20. The Pay-As-You-Go agreement shall be in effect until the member desires to cancel. If discontinuing, the member will have to meet the requirements of a post-pay member for continued service.

Member Signature: _____ SSN: _____ Date: _____

Member Signature: _____ SSN: _____ Date: _____

CSR Signature: _____ Date: _____

OFFICE USE ONLY	
SO Number _____	Date Installed _____
Customer NO. _____	Initials _____
Comments _____	