

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SHELBY ENERGY)
COOPERATIVE, INC. FOR APPROVAL) CASE NO.
OF A PREPAY METERING TARIFF) 2013-00129

ORDER

On April 11, 2013, Shelby Energy Cooperative, Inc. ("Shelby") filed an application seeking approval of a prepay metering tariff and program ("Prepay Program"). The proposed tariff is a voluntary option to be made available to Shelby's Rate Schedule 12 residential customers, excluding accounts on levelized or fixed-budget billing, automatic draft, net metering, accounts with ancillary services, three-phase accounts, and accounts with greater than 200-amp service. Customers who qualify for winter hardship, certificate of need, or having medical certificates are also excluded. Shelby further requests, for its Prepay Program only, deviations from 807 KAR 5:006, Sections 7 and 15.¹ 807 KAR 5:006, Section 7, requires a rate schedule under which a bill is computed to be printed on a bill, and 807 KAR 5:006, Section 15, permits a utility to terminate service due to non-payment of bills only after the utility has provided the customer an advance termination notice.

¹ Shelby made its request pursuant to 807 KAR 5:006, Sections 6 and 14, respectively. The Commission has promulgated revisions to 807 KAR 5:006 which includes these section numbers. The section of the Commission's general rules relating to bills and termination is now found at Sections 7 and 15, respectively.

Shelby responded to one round of Commission Staff discovery. Some details of Shelby's proposed program were slightly modified as a result of the discovery process, and those modifications have been reflected in the record. There are no intervenors in the case. The matter now stands submitted to the Commission for a decision.

DISCUSSION

To enroll in the proposed Prepay Program, a customer must complete and sign a Prepay Service Agreement ² ("Agreement"), which sets out the terms and conditions of the program. The Agreement is to remain in effect until the customer submits a written cancellation request, at which time the customer must meet the requirements for a typical post-pay account to continuing receiving service. To participate, a customer must be able to receive some form of electronic communications, which can include texting. The Agreement states that it will be the customer's responsibility to manage his or her own communication devices, and to provide notice of any change in the customer's contact information.

Pursuant to the proposed Prepay Program tariff, at the time the prepay account is activated, an initial payment must be made, with a minimum of \$100 recommended. Participants can then apply funds to their account in any amount, but subject to a \$20 minimum, as many times per month as they choose.

Under the terms of the proposed Prepay Program tariff, the prepay account would not be subject to deposits, late fees, or disconnect or reconnect fees, but would still be subject to the service fee for returned checks. In its response to a Staff request for information, Shelby stated it is willing to revise its proposed tariff to include the

² Application, proposed Prepay Service tariff.

specific fee referenced in Shelby's rules and regulations that is applicable for an un-honored payment.³ Customers having a security deposit on their current accounts will have the deposit credited toward any remaining balance on an existing post-pay account before any funds are transferred to the prepay account. A member who has been disconnected for non-payment may request to be reconnected and enrolled in the Prepay Program. A member unable to pay the outstanding account balance in full will be offered a payment plan in which future purchases will be split 70/30 until the old debt is retired, with 70 percent of the payments applied to new purchases and 30 percent applied to retirement of the previous balance.

Prepay accounts will be billed electronically at least once per day and will then show the remaining balance in the account. The proposed prepay service fee and Consumer Facility Charge will be prorated and deducted from the account daily. The energy charge per kWh, fuel adjustment, and environmental surcharge will be calculated and charged or credited to the account on a daily basis at rates in effect at the time of the daily update. When the amount of funds remaining in a prepay account reaches a balance of \$25, an automated message will be sent to the customer.

Shelby states that there are several benefits associated with its proposed Prepay Program, including increased customer satisfaction due to additional choice, lack of a deposit requirement, and increased conservation. Shelby indicated that studies show the prepay programs reduce energy consumption up to 12 percent, reducing the carbon footprint and providing support to Shelby's Demand-Side Management initiatives. Shelby further alluded to an expected decrease in expenses by reducing costs associated with reconnect and disconnect trips, write-offs and delinquent debt.

³ Response to Commission Staff's Initial Request for Information, Item 11, May 10, 2013.

Shelby's Prepay Program would be implemented by means of its Customer Information System ("CIS") and its Automated Meter Infrastructure ("AMI") system, with a seamless interface allowing participating customers to make payments through most methods used by post-pay members and listed on Shelby's Web site.

Shelby proposes a monthly program fee of \$3.00, which is calculated to recover the annual additional investment in remote disconnect/reconnect collars required to be added to Shelby's AMI meters so that customers can participate in the prepay program. Shelby states that it followed a methodology for determining the prepay program costs similar to that used by Farmers Rural Electric Cooperative Corporation in calculating its \$3.18 monthly program fee approved by the Commission in Case No. 2012-00437.⁴ In order to make the fee as reasonable as possible and potentially attractive to any member, it chose to reflect only the incremental annual cost of investment in the collar, plus the cost of four monthly transactions.

FINDINGS

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Shelby's proposed Prepay Program and tariff as revised to reflect the un-honored payment fee should be approved.
2. Shelby's request for deviation from 807 KAR 5:006, Sections 7 and 15 for the Prepay Program should be approved.
3. Shelby should track data and maintain records that, at a minimum, include the type of information identified in the Appendix to this Order. Shelby should provide

⁴ Case No. 2012-00437, Application of Farmers Electric Rural Cooperative Corporation for Approval of a Prepay Metering Program Tariff (Ky. PSC Jan. 23, 2013).

that information to the Commission each year in a report filed along with its Annual Report.

IT IS THEREFORE ORDERED that:

1. Shelby's proposed Prepay Program and tariff as revised is approved on and after the date of this Order.

2. Shelby's request for deviation from 807 KAR 5:006, Sections 7 and 15 for the Prepay Program is approved.

3. Shelby shall track data and maintain records as required in finding paragraph 3 above and shall submit the information to the Commission in a supplemental report filed at the time it files its Annual Report.

4. Within 20 days of the date of this Order, Shelby shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the Prepay Program approved herein and reflecting that they were approved pursuant to this Order.

5. Any document filed pursuant to Ordering paragraph 3 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED
JUL 09 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2013-00129 DATED **JUL 09 2013**

The information and data to be maintained by Shelby, shall, at minimum, address the following issues.

1. The number of participants over the course of the Prepay Program, disaggregated to show how many: (1) remained in the program from the time they enrolled; (2) were terminated from the program (and the reasons for such termination); and (3) voluntarily left the program (and the reasons for leaving).

2. The number of participants whose enrollment resulted from having sought to resolve a past due bill, an arrearage balance, prior service disconnection, or some other service or payment problem.

3. The number of participants, by month, who permitted their purchased energy to run down to a negative balance causing their service to be terminated.

4. The number of participants who permitted their purchased energy to run down to a negative balance multiple times, with the numbers disaggregated to show the number with two, three, and four or more such occurrences.

5. The number of participants with arrearage balances at the time of enrollment showing the number with arrearages of: (a) \$100 or less; (b) \$101 to \$299; and (c) \$300 or greater.

6. The number of participants who had received disconnect notices at their current residence during the 12 months immediately prior to enrolling in the program.

7. For all program participants, the month each participant enrolled in the program, and individual monthly electric usage and bill amounts, comparing the month in the current year with the same month in the prior year (i.e., August 2014 with August 2013, September 2014 with September 2013, October 2014 with October 2013, etc.)

8. Program fee collections, by month, for the time period covered by the report.

9. Program-related cost, by month.

10. Savings and margin losses realized as a result of the program.

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