

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LICKING VALLEY RURAL	)	
ELECTRIC, INC. FOR APPROVAL OF A	)	CASE NO.
PREPAY METERING TARIFF	)	2014-00256

ORDER

On July 31, 2014, Licking Valley Rural Electric Cooperative Corporation (“Licking Valley”) filed an application for approval of a Prepay Metering Program (“Prepay Program”) and a Prepay Metering Tariff. The proposed Prepay Program would be voluntary, and would be available as an optional rider to Licking Valley’s Rate Schedule A – Residential, Farm, Small Community Hall & Church Service and Schedule B – Commercial and Small Power Service, excluding accounts on levelized or fixed-budget billing, automatic draft, net metering, accounts with ancillary services, three-phase accounts, accounts with greater than 200-amp service, and customers who qualify for either a winter hardship, certificate of need, or a medical certificate. Licking Valley further requested a deviation from 807 KAR 5:006, Section 15(1)(f)(1), which requires a written notice of service termination for non-payment, insofar as such notice would apply to this Prepay Program.<sup>1</sup> Licking Valley also requested a deviation from 807 KAR 5:006, Section 7, which requires certain information to be shown on a customer’s bill.<sup>2</sup> Commission Staff issued one request for information. There are no intervenors in this proceeding and the matter now stands submitted to the Commission for a decision.

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<sup>1</sup> Application, Item 9.

<sup>2</sup> *Id.*, Item 10.

## DISCUSSION

To enroll in the Prepay Program, a customer must complete and sign a Prepay Service Agreement (“Agreement”), which sets out the terms and conditions of the program. The Agreement will be in effect for one year and, thereafter, on a month-to-month basis. If a participating member wishes to terminate the agreement before one year, the member may be allowed to terminate the agreement by submitting written notice to Licking Valley.<sup>3</sup> To participate, a member should have Internet access or the ability to receive electronic communications.<sup>4</sup> 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 Licking Valley of any such changes immediately. It is the member’s responsibility to manage the member’s communication devices.<sup>5</sup> The member shall be responsible for regularly monitoring the balance on the Prepay account.<sup>6</sup> Licking Valley estimates that 300 members, or 3 percent of its residential members, will elect to participate in the Prepay Program.<sup>7</sup>

Licking Valley will use Automated Meter Infrastructure (“AMI”) meters with an embedded disconnect device for the Prepay Program. The AMI meters will be able to interface with Licking Valley’s customer information system and will allow members to make payments to their accounts using most of the methods available to post-paid

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<sup>3</sup> Response to Commission Staff’s First Request for Information (“Staff’s First Request”), Item 6, filed Aug. 29, 2014.

<sup>4</sup> *Id.*, Exhibit A, Item 2.

<sup>5</sup> Application, Exhibit B, Item 8.

<sup>6</sup> *Id.*, Item 10.

<sup>7</sup> Application, Exhibit C, Item 7.

members.<sup>8</sup> Licking Valley indicated that it is not utilizing in-home displays, but would investigate that option if customer demand for the in-home display arises.<sup>9</sup>

At the time the Prepay Program account is activated, Licking Valley recommends an initial purchase of \$100.00. Subsequent purchases may be made in any increment chosen by the member, subject to a \$20.00 minimum.<sup>10</sup>

Licking Valley proposes a monthly program fee of \$5.00, which is calculated to recover the annual additional investment needed for members to participate in the Prepay Program.<sup>11</sup> Licking Valley followed a methodology similar to that used by other cooperatives for determining its Prepay Program costs.<sup>12</sup> In order to make the fee as reasonable as possible and potentially attractive to any member desiring to participate in the Prepay Program, Licking Valley chose to reflect in the fee only the incremental annual cost of investment in the AMI meter, four monthly communications fees, and no transaction fees.<sup>13</sup>

Prepay Program accounts will be billed daily to show the remaining funds on the account. The Consumer Facility Charge and Energy Charge will be the same as Licking Valley Electric's applicable residential and commercial tariff. The Energy

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<sup>8</sup> *Id.*, Item 8.

<sup>9</sup> *Id.*, Item 23.

<sup>10</sup> *Id.*, Exhibit A, Item 9.

<sup>11</sup> Application, Exhibit C, Item 9, Table C, page 4 and Exhibit E.

<sup>12</sup> Case No. 2012-00437, *Application of Farmers Electric Rural Cooperative Corporation for Approval of a Prepay Metering Program Tariff* (Ky. PSC Jan. 23, 2013); Case No. 2013-00129, *Application of Shelby Energy Cooperative, Inc. for Approval of a Prepay Metering Tariff* (Ky. PSC July 9, 2013); Case No. 2013-00403, *Application of Owen Electric Cooperative, Inc. for Approval of a Prepay Metering Program Tariff* (Ky. PSC Feb. 7, 2014); and Case No. 2014-00139, *Application of Cumberland Valley Electric, Inc. for Approval of a Prepay Metering Tariff* (Ky. PSC Aug. 26, 2014).

<sup>13</sup> Application, Exhibit C, Items 9 and 10.

Charge per kilowatt hour ("kWh") will be calculated and deducted from the member's account on a daily basis. The Consumer Facility Charge and Prepay Service Fee will be pro-rated and deducted from the member's account on a daily basis.<sup>14</sup> The Fuel Cost Adjustment and Environmental Surcharge will be charged or credited to the account daily. The Fuel Adjustment and Environmental Surcharge will be the rates in effect for the time of the update.<sup>15</sup> When the amount of funds remaining in the Prepay Program account reaches the established \$25.00 threshold, an automated message will be sent to the member.<sup>16</sup> The Prepay Program account will not be subject to deposits, late fees, disconnect fees, or reconnect fees;<sup>17</sup> however, a service fee is applicable in the event of a returned payment.<sup>18</sup>

Members having a deposit on their current accounts will have the deposit and accumulated interest credited toward any remaining balance on the accounts, before any funds are transferred to the Prepay Program account.<sup>19</sup> If a member who has not participated in the Prepay Program is disconnected for non-payment, the member may request to be reconnected and enrolled in the Prepay Program. However, if the member is unable to pay the account balance in full, he or she will be offered a payment plan in which future purchases will be split 70/30 between new purchases and the

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<sup>14</sup> Response to Staff's First Request, Item 11, and Exhibit A, Item 6.

<sup>15</sup> *Id.*, Item 7.

<sup>16</sup> *Id.*, Item 15.

<sup>17</sup> *Id.*, Item 8.

<sup>18</sup> *Id.*, Item 16.

<sup>19</sup> *Id.*, Item 10.

previous balance until the outstanding balance is satisfied.<sup>20</sup> Any unpaid balance from the final bill of a former member must be fully paid before the former member can enroll in the Prepay Program. If the former member is unable to pay the account balance in full, he or she will be offered a payment plan in which future purchases will be split 70/30 between new purchases and the previous balance until the old debt is retired.<sup>21</sup>

Licking Valley will utilize a variety of communication methods to promote the Prepay Program to its membership. The Prepay Program will be promoted via Licking Valley's newsletter and other print advertising, on its website ([www.lvrecc.com](http://www.lvrecc.com)), on social media, by promotional banners in its offices and drive-through windows, and through one-on-one member consultations with customer service representatives.<sup>22</sup>

#### FINDINGS

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

1. Licking Valley's proposed Prepay Program and Prepay Metering Tariff are reasonable and should be approved.

2. Licking Valley's requests for deviations from 807 KAR 5:006, Section 15(1)(f)(1), and 807 KAR 5:006, Section 7, for the Prepay Program are reasonable and should be approved.

3. Licking Valley should track and maintain the following data and file the information in a supplemental report with its Annual Report for the calendar years 2014, 2015, and 2016:

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<sup>20</sup> *Id.*, Item 11.

<sup>21</sup> *Id.*, Item 12.

<sup>22</sup> Application, Exhibit C, Item 26.

- a. The number of new and total participants;
- b. The number of participants who leave the prepay program and their reasons for leaving the Prepay Program; and
- c. The number of participants who allow their accounts to deplete to zero and are disconnected.

4. After submitting the 2016 supplemental report, Licking Valley should continue to maintain records identified in finding paragraph 3 and provide the information upon request.

IT IS THEREFORE ORDERED that:

1. Licking Valley's proposed Prepay Program and Prepay Metering Tariff are approved as of the date of this Order.

2. Licking Valley's requests for deviations from 807 KAR 5:006, Section 15(1)(f)(1), and 807 KAR 5:006, Section 7, for the Prepay Program are granted.

3. Licking Valley shall track data and maintain records as required in finding paragraph 3, and shall submit the information to the Commission in a separate report filed at the time it files its Annual Report for 2014, 2015, and 2016. Thereafter, Licking Valley shall maintain its records so as to be able to provide the same information upon request.

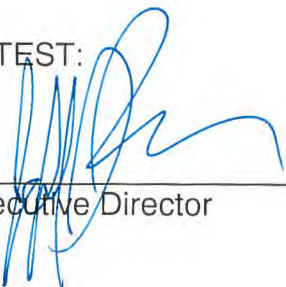
4. Within ten days of this Order, Licking Valley shall file its Prepay Metering Tariff and Prepay Service Agreement, using the Commission's electronic Tariff Filing System, showing the date issued and that it was issued by authority of this Order.

5. Any documents filed in the future pursuant to ordering paragraph 3 shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED
OCT 01 2014
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:



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