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BEFORE THE ARIZONA CORPORATION COMMISSION

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GARY PIERCE  
Chairman  
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Commissioner  
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Commissioner  
BRENDA BURNS  
Commissioner

Arizona Corporation Commission

DOCKETED

JUL 30 2012

DOCKETED BY  
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IN THE MATTER OF THE APPLICATION  
OF SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC. FOR  
APPROVAL OF A NEW EXPERIMENTAL  
PREPAID RESIDENTIAL SERVICE  
TARIFF

DOCKET NOS. E-01575A-11-0439

DECISION NO. 73256

ORDER

Open Meeting  
July 18 and 19, 2012  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") is certificated to provide electric service as a public service corporation in the State of Arizona.

Introduction

2. On December 7, 2011, SSVEC filed an application for a new experimental Residential Prepaid Service ("RPS") tariff. The long-term goal of this tariff is to provide SSVEC's Members/Owners with another payment option that provides flexibility to match their payment preferences. SSVEC requests that the RPS tariff be approved on an experimental basis, to be in effect until its next rate case or one year from when the first customer takes service under the tariff, whichever occurs first.

3. SSVEC has prequalified its prepaid service as part of a smart grid grant from the U.S. Department of Energy ("DOE"). SSVEC has requested that Staff and the Commission expedite review and approval of the application so that the Cooperative can take advantage of the

1 cost reductions associated with the grant, which SSVEC estimates to be approximately \$924,800  
2 (see the table below).

3 4. The purpose of the experimental tariff is to design a prepaid service that meets the  
4 needs of SSVEC customers. SSVEC plans to educate its customers on the benefits and  
5 responsibilities associated with prepaid service. SSVEC also needs time to determine the proper  
6 hardware, software, and service design while also ensuring that prepaid service does not impact or  
7 transfer costs to other rate classes. SSVEC is not proposing the experimental tariff as a Demand-  
8 Side Management (“DSM”) effort. However, SSVEC would be willing to monitor prepaid  
9 accounts compared to postpaid accounts to evaluate kWh savings, if any.

### 10 **Prepaid Electric Service**

#### 11 *Availability and Applicability*

12 5. The RPS tariff is voluntary and is meant to provide SSVEC customers with an  
13 additional payment option that may better match their payment preferences. It is important to note  
14 that SSVEC does not intend for prepay service to be a lower cost to customers than postpaid  
15 service. Prepaid service would be available to a large number of SSVEC’s residential customers.  
16 However, customers that wish to utilize the prepaid service tariff would be required to fill out an  
17 application/agreement for prepaid service. SSVEC anticipates enrolling 5,000 members in the  
18 program by May 2013.

19 6. Several categories of SSVEC customers, however, are not able to take advantage of  
20 the rate. Due to limits of the billing software, Net Metering customers, Time-of-Use customers,  
21 and those customers who are on a Purchase Power Agreement are not eligible for this rate. In  
22 addition, for liability purposes, customers enrolled in the Critical Load Program (customers  
23 requiring electricity for life supporting medical equipment) are not eligible for participation in  
24 prepaid service. Hardware limitations limit participation to accounts that are residential single  
25 phase. Non-residential accounts rates that have a demand component would not be eligible as  
26 SSVEC has no way to determine or apply a monthly demand. As new rate designs develop or  
27 technology changes SSVEC may be able to offer prepaid service to other rate classes in the future.

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1 *Residential Prepaid Service Rate*

2 7. The prepaid rate was designed to be a close approximation of the Residential Rate  
 3 (Rate R) without having to invest in expensive programming to duplicate the corresponding rate  
 4 exactly. The Service Availability Charge (“SAC”) was determined by taking the monthly  
 5 components of the residential SAC charge, multiplying it by 12 and dividing by 365 to determine a  
 6 daily rate. In addition, SSVEC used the same methodology in calculating the daily Renewable  
 7 Energy Standard and Tariff (“REST”) surcharge. The energy charge, the Wholesale Power and  
 8 Fuel Cost Adjustor rate (“WPFCA”), and the DSM adjustor rate are per kWh charges and would  
 9 remain the same as for standard residential service. The table below shows the total daily rate that  
 10 would be charged.

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12 **Experimental Rate Residential Prepaid Service**

	Power Supply	Distribution Charges				Total Rate
		Metering	Meter Reading	Billing	Access	
SAC (\$/Customer/Day)		\$0.0743	\$0.0362	\$0.1180	\$0.0430	\$0.2715
Energy Charge (\$/kWh)	\$0.0730				\$0.0487	\$0.1217
REST (per day)						\$0.1000

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17 *Service Conditions Superseded by RPS Tariff*

18 8. Due to the nature of prepaid service, the following existing service terms and  
 19 conditions for postpaid service are not applicable to the proposed prepaid tariff.

- 20
- Section 2.4.1: Credit Policy Residential Service – Because there is no monthly credit extended on prepaid service the credit requirements of this section do not apply.
  - Section 2.4.4: Exceptions Applicable to Sections 2.4.1 and 2.4.3 – This section addresses the conditions required to apply a deposit after service has been established and does not apply to prepaid accounts.
  - Section 2.4.5: Deposit Procedures – This section details how SSVEC will handle security deposits which are not collected on a prepaid account.
  - Section 2.4.6: Schedule of Deposits – This section determines the maximum deposit allowed based on the rate class and historic consumption. No deposits are held on prepaid accounts.
  - Section 2.4.7: Interest on Deposits – No deposits are held on prepaid accounts so no interest is earned.

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- 1 • Section 2.8.3: Frequency and Estimated Bills – This section requires that the billing periods  
2 be maintained between 25 and 35 days. Prepaid accounts do not have a billing cycle, and  
the frequency of payments is at the discretion of the customer.
- 3 • Section 2.13: Billing information – This section details the required components of a  
customer’s monthly bill. There is no monthly bill with prepaid accounts.
- 4 • Section 2.15: Terms of Payments – There are no terms associated with prepaid accounts.
- 5 • Section 2.16.1: Budget Billing – This is a billing option for postpaid accounts to allow the  
monthly bill to be the same each month, with the appropriate annual true-up or balancing  
6 month. This service is not compatible with a prepaid account.
- 7 • Section 2.16.2: Surepay Automatic Payments – This is a billing option for postpaid  
accounts where the monthly amount due is automatically withdrawn by a draft on the  
customer’s financial institution or credit card account. There is no monthly bill with a  
8 prepaid account.
- 9 • Section 2.19.1: Notice of Delinquent Status – This section details the requirements to  
determine when an account is delinquent and what procedures SSVEC must follow to  
10 provide the customer with a delinquent notice. Prepaid accounts cannot be delinquent  
because no credit is extended to the customer.
- 11 • Section 2.20.4: Termination Notice Requirements – This section details the procedure to  
provide the customer with a disconnection notice and what is required to be in the written  
12 notice. Prepaid accounts receive multiple notices regarding low balances.
- 13 • Section 2.20.5: Timing of Termination with Notice – This section details the procedure  
SSVEC must follow to provide notice of a pending disconnection of service. Service  
14 Conditions D in the proposed tariff details the notices provided to prepaid customers.
- 15 • Section 2.21: Service Termination Procedure – This section details the requirement that the  
SSVEC employee who is terminating the service make an effort to contact the customer  
16 before termination to allow them the opportunity to make a payment. The equipment used  
for a prepaid account does not require a physical visit to either terminate or re-instate  
17 service.

### 18 *Disconnection of Service*

19 9. During the experimental period, disconnection of service for zero remaining credit  
20 would be limited to normal workdays between the hours of 9:00 a.m. and 2:00 p.m. In addition,  
21 no disconnections of service would occur during SSVEC recognized holidays. Disconnections due  
22 to zero remaining credit would be suspended during inclement weather conditions, as defined in  
23 the Service Conditions (Section 2.20.1.), which also apply to postpaid disconnections for non-  
24 payment. During the pilot period, if a customer’s credit balance falls below an estimated four days  
25 of service (based on the average daily usage), notice will be sent to the customer (one per business  
26 day) via e-mail, phone message, text message or other future methods of contact. A customer may  
27 choose to be notified of a low credit balance based on a dollar amount rather than the number of  
28 days of service remaining.

1 *Equipment*

2 10. Special equipment is required for members to participate in prepaid service and  
3 SSVEC reserves the right to limit participation to available hardware. SSVEC has developed an  
4 extensive automated meter reading (“AMR”) infrastructure/advanced metering (“AMI”)  
5 infrastructure and with the availability of compatible remote connect and disconnect hardware,  
6 SSVEC believes that offering a pre-paid residential service is both economical and feasible.  
7 SSVEC would manage the hardware inventory to have sufficient spares for the customers on the  
8 rate, and would use its best effort to meet the demand for the program. Shortages of equipment due  
9 to back order of equipment from the suppliers, which are beyond the control of SSVEC, could be a  
10 limiting factor for participation.

11 11. SSVEC would be working with a third party, National Information Systems  
12 Cooperative (“NISC”), to implement its prepaid option. NISC is an information technology  
13 company that develops and supports software and hardware solutions for primarily utility  
14 cooperatives and telecommunications companies across the nation. NISC offers utility end-users  
15 with a utility information management service called Utility Bill Pay<sup>SM</sup>. NISC’s Prepaid Metering  
16 Solution provides a pro-rated billing solution. Using the daily interval readings of AMI, the  
17 Prepaid Metering Solution provides a daily, pro-rated billing option. It does not require a prepaid  
18 meter card for loading payments. Instead, customers can make payments through any of the  
19 utility’s existing payment channels.

20 12. The NISC Prepaid Metering Solution provides the end-user with detailed daily  
21 meter usage information as well as the account balance, and allows for customers to determine  
22 when to pay their utility bill. The solution supplies data allowing for notifications when a  
23 customer’s credit balance is low and for payment acceptance. In addition, SSVEC would install  
24 remote connect/disconnect collars to its existing AMR infrastructure. Meter reads and other  
25 information would continue to be processed in SSVEC’s existing system. The collars would also  
26 provide outage and service interruption notifications.

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1 *Costs and Cost Recovery*

2 13. As stated previously, SSVEC has prequalified its prepaid service as part of a smart  
3 grid grant from the U.S. Department of Energy ("DOE"). According to SSVEC, the DOE grant  
4 would cover approximately \$920,250 in equipment costs. SSVEC indicated that the remaining  
5 costs associated with the proposed prepaid tariff would be absorbed by SSVEC. SSVEC would  
6 consider including the costs in its next rate case application.

7 14. The table below shows the costs associated with SSVEC's proposed prepaid tariff.  
8 The table compares the total budget without the DOE smart grid grant and the total budget after  
9 the DOE smart grid grant is applied.

Category	Total Costs	DOE Grant	Costs Paid by SSVEC
NISC E-Bill	\$6,500	\$3,250	\$3,250
NISC IVR	\$7,500	\$3,750	\$3,750
NISC PPM	\$12,500	\$6,250	\$6,250
Merchant Account Cancellation	\$14,000	\$7,000	\$7,000
Nighthawk Collars	\$1,800,000	\$900,000	\$900,000
Monthly Data + Software	\$3,000	\$0	\$3,000
NISC Prepaid Metering Support	\$557	\$0	\$557
<b>Total</b>	<b>\$1,844,057</b>	<b>\$920,250</b>	<b>\$923,807</b>

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18 15. The NISC Electronic Billing ("E-Bill") and NISC Integrated Voice Response  
19 ("IVR") are the internet and phone-based software that allow customers to make payments online  
20 or by phone and provide other communications. The NISC Prepaid Metering ("PPM") software  
21 provides collation of daily meter reads and balance updates. In addition, the NISC PPM is used  
22 for remote connect/disconnect service commands.

23 16. The merchant account cancellation fee is due to SSVEC needing to cancel its  
24 current billing contract in order to use the NISC E-Bill system. This change required cancellation  
25 of a contract, for a fee, with the previous vendor that provided electronic billing for SSVEC. The  
26 NISC E-Bill system would be available to all of SSVEC's customer accounts. The monthly data  
27 plus software and NISC PPM support costs would not be reimbursed by the DOE grant, which  
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1 only covers a portion of the equipment costs. The costs for the monthly data plus software and  
2 NISC PPM support would be part of the remaining costs that would be absorbed by SSVEC.

3 *Fair Value Determination*

4 17. Staff has analyzed SSVEC's application in terms of whether there are fair value  
5 implications. In Decision No. 71274, issued on September 8, 2009, the Commission determined  
6 the fair value rate base to be \$132,886,202. According to SSVEC's National Rural Utilities  
7 Cooperative Finance Cooperation Financial and Statistical Report, as of December 31, 2011, the  
8 value of SSVEC's plant was \$278,378,607. Staff considered both of these values for purposes of  
9 this analysis. Because the proposed tariff merely provides a breakdown of the current Commission  
10 approved Residential Service rates, Staff believes that the impact to SSVEC's revenue, fair value  
11 rate base, or rate of return would be de minimis.

12 **Staff Review and Recommendations**

13 18. Staff believes that SSVEC's prepaid tariff would benefit its customers and has  
14 recommended approval of SSVEC's proposed experimental RPS tariff. However, due to the  
15 nature of prepaid service, although not requested by SSVEC, Staff believes that a waiver of the  
16 following Commission Rules (Arizona Administrative Code) ("A.A.C.") is required. Therefore,  
17 Staff has recommended waivers of the following Commission Rules, as necessary:

- 18
- 19 • A.A.C. R14-2-203.B-Deposits
  - 20 • A.A.C. R14-2-209.A-Company or customer meter reading
  - 21 • A.A.C. R14-2-210-Billing and Collection
  - 22 • A.A.C. R14-2-211-Termination of Service

23 19. In addition, Staff believes that customers specified under A.A.C. R14-2-211.A.5  
24 and those customers under appropriate circumstances but beyond the scope of A.A.C. R14-2-  
25 211.A.5 should not be eligible for the proposed Residential Prepaid Service Tariff. These  
26 customers include, but are not limited to, those where termination of service would be especially  
27 dangerous to the health of the customer, as determined by a licensed medical physician and those  
28 customers where life supporting equipment used in the home is dependent on utility service.  
Therefore, Staff has recommended that participation by these customers should be excluded.

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1           20. Further, Staff believes that SSVEC's Money Miser Prepaid Service  
2 Application/Agreement include at a minimum, the information listed below. Therefore, Staff has  
3 recommended that SSVEC file, for Staff approval, a revised Money Miser PrePaid Service  
4 Application/Agreement that incorporates the following information:

- 5           • The days and specific hours in which disconnections would occur (i.e. Monday – Friday  
6 between the hours of 9:00 am and 2:00 pm);
- 7           • The specific holidays recognized by SSVEC in which disconnections would not occur;
- 8           • Circumstances under which disconnections would not occur (i.e. extreme weather  
9 conditions);
- 10          • The various ways prepaid customers can access their account and make payments;
- 11          • The customer classes and service schedules that would be ineligible for prepaid service;
- 12          • The service establishment fee that would be required for new customers;
- 13          • A statement regarding the possibility of bill estimation and where bill estimation  
14 procedures can be found (i.e. Bill Estimation tariff); and
- 15          • The customer contact information that would be used to receive balance alerts.

16           21. Staff has reviewed the proposed experimental RPS tariff and has recommended that  
17 SSVEC file, as a compliance item in this docket, within 15 days of a Decision in this matter, a  
18 revised RPS tariff. Staff has recommended that the revised RPS tariff:

- 19           • Include the methodology for calculating the daily REST surcharge;
- 20           • Specify that customers identified under A.A.C. R14-2-211.A.5 and those customers under  
21 appropriate circumstances but beyond the scope of A.A.C. R14-2-211.A.5 are not eligible  
22 for the prepaid option;
- 23           • Include language that states SSVEC would not disconnect prepaid customers when the  
24 temperature exceeds 100 degrees Fahrenheit in addition to the language specified in  
25 Section F.5 of SSVEC's proposed RPS tariff;
- 26           • Exclude the last sentence of Section F.2. of SSVEC's proposed RPS tariff "Except for item  
27 5 below, bad weather will not postpone disconnection." Staff believes that this language  
28 conflicts with Staff's recommendation above; and
- Not include the daily Renewable Energy Standard and Tariff ("REST") surcharge in its  
RPS tariff. However, the REST surcharge should be included in the list of applicable  
billing adjustments in the RPS tariff. Because the REST surcharge would change on a  
more frequent basis, Staff believes that the daily REST surcharge would be more  
appropriate in the REST tariff.

          22. In addition, Staff has recommended that as part of its next REST Implementation  
Plan filing, SSVEC include the daily REST surcharge in its RES tariff.

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1 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc.  
2 experimental RPS tariff contain the following changes:

- 3 • The daily REST surcharge maximum shall be calculated as follows: the current monthly  
4 residential REST surcharge maximum multiplied by twelve (months) divided by 365 (days)  
5 rounded to the nearest mil (one-tenth of a cent);
- 6 • Specify that customers identified under A.A.C. R14-2-211.A.5 and those customers under  
7 appropriate circumstances but beyond the scope of A.A.C. R14-2-211.A.5 are not eligible  
8 for the prepaid option;
- 9 • Include language that states SSVEC shall not disconnect prepaid customers when the  
10 temperature exceeds 100 degrees Fahrenheit in addition to the language specified in  
11 Section F.5. of Sulphur Springs Valley Electric Cooperative, Inc.'s proposed RPS tariff;
- 12 • Exclude the last sentence of Section F.2. of Sulphur Springs Valley Electric Cooperative,  
13 Inc.'s proposed RPS tariff "Except for item 5 below, bad weather will not postpone  
14 disconnection." Staff believes that this language conflicts with Staff's recommendation  
15 above; and
- 16 • Not include the daily Renewable Energy Standard and Tariff ("REST") surcharge in its  
17 RPS tariff.

18 IT IS FURTHER ORDERED that the REST surcharge should be included in the list of  
19 applicable billing adjustments in the experimental Residential Prepaid Service tariff.

20 IT IS FURTHER ORDERED that, as part of its next REST Implementation Plan filing,  
21 Sulphur Springs Valley Electric Cooperative, Inc. include the daily REST surcharge in its RES  
22 tariff.

23 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. file a  
24 revised Bill Estimation tariff which includes the procedures for estimating prepaid accounts, for  
25 Commission approval, within 30 days of a Decision in this matter.

26 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. file in  
27 this docket, as compliance items, status reports each August that contain, at a minimum, the  
28 following information (the first report shall be filed in August, 2013 and continue until further  
Order of the Commission):

- The number of prepaid metering customers per month;
- The number of disconnects per account per month;
- The number of prepaid metering customers that have been disconnected for 24 hours or more (in 24 hour increments) and the number of accounts with repeated disconnects per month;

- 1 • The number of customer complaints specific to prepaid metering including a description of  
2 the types of complaints received.

3 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. shall  
4 file, as a compliance item in this docket, within 15 days of a decision in this matter, a revised  
5 experimental Residential Prepaid Tariff that complies with this decision.

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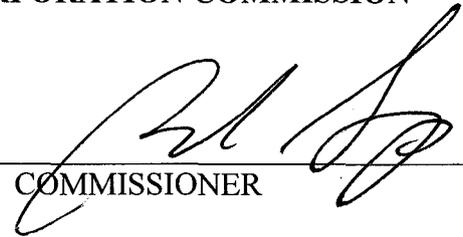
1 IT IS FURTHER ORDERED that this decision does not address the prudence of the costs  
2 associated with the prepaid tariff.

3 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc.'s  
4 proposed experimental RPS tariff remain in effect until further Order of the Commission.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

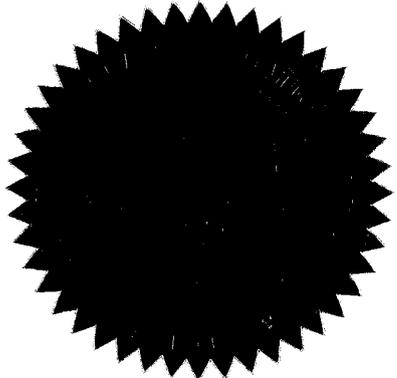
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8   
9 CHAIRMAN

  
COMMISSIONER

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12 COMMISSIONER

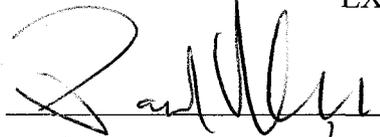
COMMISSIONER

  
COMMISSIONER



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14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
15 Executive Director of the Arizona Corporation Commission,  
16 have hereunto, set my hand and caused the official seal of  
17 this Commission to be affixed at the Capitol, in the City of  
18 Phoenix, this 30<sup>th</sup> day of July, 2012.

  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

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20 DISSENT. 

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22 DISSENT. 

23 SMO:CLA:sms  
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1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative, Inc.

2 DOCKET NO. E-01575A-11-0439

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