

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF HENRY COUNTY WATER)	
DISTRICT NO. 2 TO ALLOW FOR THE ACCEPTANCE)	CASE NO.
OF DEBIT AND CREDIT CARD PAYMENTS)	2005-00047

COMMISSION STAFF'S SECOND INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS
TO HENRY COUNTY WATER DISTRICT

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Henry County Water District No. 2 ("Henry County") file with the Commission the original and 6 copies of the following information within 20 days of the date of this request, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

1. In response to Item 1 of Commission Staff's First Set of Interrogatories dated March 14, 2005 ("Staff's First Request"), Henry County states that it has "received a quote for 2.25% + .30 a transaction."

- a. Provide the quote referred to above.
- b. Provide the request for proposal ("RFP") used to obtain this quote.
- c. Provide a list of all recipients of the RFP and their responses.

2. a. 807 KAR 5:011, Section 10, intends for a non-recurring charge to recover the specific cost of the activity. Explain how Henry County's \$3 proposal meets this objective given the varying fees for which Henry County will accept credit card payment. For example, a charged tap fee will cost Henry County \$13.24 ($(\$575 \times .0225) + .30$) while it collects only \$3 and a customer using the average monthly usage of 6,500 gallons that charges their bill will be billed \$3 while Henry County is assessed only \$1.32 ($(\$45.32 \text{ cost of } 6,500 \text{ gallons} \times .0225) + .30$).

b. This Commission has allowed flat rate non-recurring charges to be based on the average cost of providing a service. Can Henry County provide evidence showing that the requested \$3 charge is an average of anticipated costs? If so, provide such evidence.

c. Henry County has included a \$.50 administrative fee in its proposal. Explain why it would cost the utility more to process a credit card payment than a check or cash payment.

d. Explain why Henry County did not propose to charge each customer the actual cost incurred per transaction rather than a flat rate.

3. Item 2 of Staff's First Request asked Henry County to provide the names of all types of credit and debit cards the utility will accept as payment, as well as the fees to be charged to the utility by each company per transaction. Henry County's April 21, 2005 response was incomplete. For each company named in the response (i.e., Visa, MasterCard, and Discover), provide the debit and credit card transaction fees that will be assessed as well as the written agreements and any other communications between the utility and the companies.

4. In response to Item 10 of Staff's First Request, Henry County states that the additional revenue generated from the proposed charge does not exceed by 5 percent the total revenues provided by miscellaneous and non-recurring charges for the recent 12-month period. The 2004 Income Statement provided by Henry County shows miscellaneous and non-recurring revenue of \$106,211. Five percent of \$106,211 is \$5,310. In response to Item 9 of Staff's First Request, Henry County states that it anticipates 300 customers a month will use the service for a total of 3,600 transactions a year. At \$3 per transaction, the total revenue generated by the proposed charge would be \$10,800. Therefore, the additional revenue generated from the proposed charge does exceed by 5 percent the total revenues provided by all miscellaneous and non-recurring charges. If this is correct, explain why Henry County should not file an absorption test showing that the additional net income generated by this filing will not result in an increase in the rate of return (or other applicable valuation methods) to a level greater than that allowed in the most recent rate case.



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Public Service Commission
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DATED May 13, 2005

cc: All Parties