

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR) CASE NO. 2007-00410
APPROVAL OF A REVISED COLLECTION)
CYCLE FOR PAYMENT OF BILLS)

O R D E R

On December 18, 2007, the Commission issued an Order denying Louisville Gas and Electric Company's ("LG&E") request to revise its gas and electric tariffs to reduce the time allowed for bill payment from 15 days to 10 days from the date the bill is rendered. On January 10, 2008, LG&E filed motions to reconsider and modify the December 18, 2007 Order and to schedule an informal conference.

An informal conference was held on January 15, 2008 and the Commission granted LG&E's motion for reconsideration on January 30, 2008. The parties were invited to file procedural schedules within 7 days thereafter, but none did so. However, LG&E did file a letter on February 6, 2008 stating its position that no additional proceedings were necessary and that the Commission should render its decision on the existing record. Commission Staff subsequently issued a data request to LG&E and its responses were filed on February 25, 2008.

BACKGROUND

On September 14, 2007, LG&E filed its application to revise its gas and electric collection cycle. The application stated two reasons for the proposed change. First,

LG&E desires to align its billing process with that of its sister utility, Kentucky Utilities Company (“KU”). Second, the change would help to avoid confusion for delinquent customers who receive a termination notice and then receive another monthly bill. LG&E stated that it was in the process of designing a new customer care system (“CCS”) to be used by both utilities upon its implementation in the first quarter of 2009.

In denying LG&E’s application, the December 18, 2007 Order stated that LG&E should have that taken into consideration the additional mailing time required for customers to send payments to Atlanta, Georgia.¹ In addition, the Order stated that, rather than implementing a CCS which continued to allow for differences between the two companies, LG&E and KU should have filed a plan for a fully unified system. Finally, LG&E and KU were directed to file a new plan for a fully unified CCS within 90 days of the date of the Order.

In its January 10, 2008 motion to reconsider, LG&E provided a study performed by Phoenix-Hecht which showed that the average mailing time for a letter from Louisville to Louisville was 1.96 days, while for a letter from Louisville to Atlanta was 2.79 days. LG&E also provided additional information which showed that the Atlanta payment processing center has six mail pick-ups a day and processes payments 24 hours a day, 7 days a week. Previously, when LG&E processed payments, there was one mail pick-up per day and processing was done during regular working hours, 5 days a week. LG&E argued that the additional processing time reduced the effect of the additional mailing time.

¹ LG&E and KU had recently outsourced payment processing to an Atlanta, Georgia company.

LG&E requested modification of the December 18, 2007 Order to eliminate the requirement that it and KU file a new plan for a fully unified CCS within 90 days of that Order. LG&E interpreted the requirement to file a plan for a “fully unified CCS” to mean that both utilities had to synchronize all tariff-related policies and processes, rates, terms, and conditions. LG&E stated that it would be impossible to achieve such synchronization outside of a general rate case because many of the policies and processes affect revenues, which in turn affect revenue requirements. In granting reconsideration, the Commission’s January 30, 2008 Order clarified that the intent of the December 18, 2007 Order was that LG&E and KU should have the same collection cycle and late payment policy, not that the utilities should have the same policies, processes, and rates. In its February 6, 2008 letter, LG&E stated that it understood the January 30, 2008 Order to relieve it and KU of the requirement.

LG&E customers currently have 15 days from the date the bill is rendered to make payment. If payment is not received within the 15-day period, a 5 percent late payment penalty is applied to the current monthly bill but not to any past-due amounts. KU customers have 10 days from the date their bills are rendered to make payment, and no penalty is imposed for late payments. LG&E proposes no change to its late payment policy. However, concerns were raised at the January 15, 2008 informal conference that customers paying after the due date, but before the late payment penalty date, would be negatively impacted by LG&E’s Behavioral Scoring System. In response to these concerns, LG&E stated in a January 23, 2008 letter that it would configure its Behavioral Scoring System to not impact the customer’s score until a bill is unpaid for at least 15 days after it is rendered.

FINDINGS

After reviewing the evidence and being otherwise sufficiently advised, the Commission finds that one of the reasons for denying LG&E's request was the belief that LG&E and KU should synchronize their collection policies and late payment policies at the same time. However, based on LG&E's February 6, 2008 letter regarding the impact of the late payment penalty on revenues, the Commission agrees that any change to either LG&E's or KU's penalty policy must be considered in a rate proceeding. Further, the Commission finds that a decision on synchronizing the LG&E and KU collection cycles should be made at the same time as a decision on synchronizing the late payment policies. Therefore, LG&E's request to reduce its collection cycle from 15 days to 10 days should be denied without prejudice to LG&E's re-filing of this request in conjunction with a rate proceeding.

Finally, the Commission finds that, although not explicitly stated in the January 30, 2008 Order, the intent of that Order was to relieve LG&E and KU of the requirement to file a plan for a fully unified CCS within 90 days of the December 18, 2007 Order.

IT IS THEREFORE ORDERED that:

1. LG&E's request to revise its tariffs to reduce the payment due date from 15 days to 10 days from the date bills are rendered is denied without prejudice to LG&E's re-filing of its request in conjunction with a rate proceeding.

2. In their next general rate proceedings, LG&E and KU shall either propose to synchronize their collection cycles and late payment policies or explain why synchronization is not appropriate.

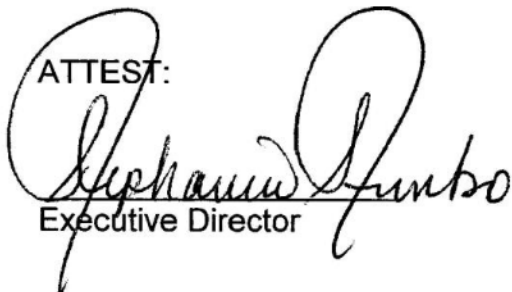
3. The requirement in the December 18, 2007 Order for LG&E and KU to file a plan for a fully unified CCS within 90 days thereafter was repealed by the January 30, 2008 Order.

Done at Frankfort, Kentucky, this 24th day of April, 2008.

By the Commission

Commissioner Clark Abstains.

ATTEST:


Executive Director