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Gregory Coker
Commissioner

May 13, 2005

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JUN 2 2005

PUBLIC SERVICE
COMMISSION

RE: Case No. 2005-00047

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact Jessamyn Thompson at (502) 564-3940 ext. 278.

Sincerely,

Beth O'Donnell
Executive Director

BOD/sa
Enclosure

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.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED May 13, 2005

cc: All Parties

The following answers are to questions on letter sent to us on the request for Debit/Credit Card Transactions dated 05/13/2005.

1.
 - a) Please find attached the quote from Card Solutions International faxed to me on 09/27/2004. Since the quote was only good for 30 days, we will request another quote from them and from other companies that provide this service to get the lowest quote for our customers.
 - b) The request was a verbal request. I called Donna Broder @ Card Solutions International. Their fee is 2.25% +.30 per transaction. Also we will have a one time fee of \$299.00 (for a refurbished terminal) to purchase equipment and a \$10.00 a month fee for our monthly statements.
 - c) I verbally spoke to a couple other possible processors which at the time was higher or had higher service charges. After we are approved through your agency, we will get new quotes as mentioned above and obviously we will accept the less expensive processing agency.

2.
 - a) Our thought was that it would not be as confusing for our customers to have a flat rate for the charge instead of different charges every month and the charges would average closely with the charges we would have to pay.
 - b) We calculated our deposit and connection fee charge of \$100.00 and took the 2.25% +.30 which comes out to \$2.80. A lot of our payments on the disconnect day are 2 months bills which mostly exceed \$100.00. We regretfully did not take every scenario into consideration.
 - c) The process for credit card payments involves an outside source for processing, monthly fee for statements, daily interaction with processing company to provide them with the daily transactions.
 - d) We wish we had!!!

3. Visa, MasterCard, Discover 2.25% +.30 per trns
See attached quote

4. We have talked this over quite extensively and decided that the best thing for us to do is to completely change how we thought would be the best way to get this option for our customers. We decided to figure each customer's charge individually. We will take their charge, calculate the charge times the rate and add the fee. For example a customer with a charge of \$16.48 will pay .36 (rate of 2.19%) +.24 for a total of \$17.08. Another example is a charge of \$75.00 will pay 1.65+.24 for a total of \$76.89. We got another quote and was able to lower the rate from 2.25% to 2.19%.

**CARD SOLUTIONS INTERNATIONAL
QUOTE SHEET
(good for 30 days)**

NON-SWIPE CREDIT CARD PROCESSING

Visa/MasterCard

Qualified DISCOUNT RATE 2.19%

24 HR. CUSTOMER SERVICE FEE and STATEMENT FEE \$7.50/mo.

TRANSACTION FEE \$0.24/TRANSACTION

MONTHLY MINIMUM \$Waived

Mid-Qualified Discount Rate: .85% + \$0.09/transaction

Non-Qualified Discount Rate: 1.35% + \$0.09/transaction

(Mid and non qualified discount rates are charged in addition to Qualified Discount Rate for Rewards Cards and Corporate Cards)

APPLICATION FEE \$FREE

THIS QUOTE IS FOR EDC Terminal/SOFTWARE

a manual imprinter is available for \$25.00 (plus tax) to imprint cards if you don't use a printer.

**The purchase of a refurbished terminal with printer is
available for only \$299**