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PUBLIC SERVICE  
COMMISSION

Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

Louisville Gas and  
Electric Company  
State Regulation and Rates  
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February 25, 2008

Rick E. Lovekamp  
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**RE: APPLICATION OF LOUISVILLE GAS AND ELECTRIC  
COMPANY FOR APPROVAL OF A REVISED COLLECTION  
CYCLE FOR PAYMENT OF BILLS – Case No. 2007-00410**

Dear Ms. O'Donnell:

Enclosed please find an original and six (6) copies of the Response of Louisville Gas and Electric Company to the Second Data Request of Commission staff dated February 15, 2008, in the above-referenced proceeding.

Please contact me if you have any questions concerning this filing.

Sincerely,

Rick E. Lovekamp

cc: Parties of Record

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

**RESPONSE OF  
LOUISVILLE GAS AND ELECTRIC COMPANY  
TO  
COMMISSION STAFF'S SECOND DATA REQUEST  
DATED FEBRUARY 15, 2008**

**FILED: FEBRUARY 25, 2008**



VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, Sidney L. "Butch" Cockerill, being duly sworn, deposes and says that he is Director, Revenue Collection for E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the responses (Question Nos. 1 - 3) , and the answers contained therein are true and correct to the best of his information, knowledge and belief.

*Sidney L. "Butch" Cockerill*  
\_\_\_\_\_  
SIDNEY L. "BUTCH" COCKERILL

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 25<sup>th</sup> day of February, 2008.

*Victoria B. Harper* (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:

Sept 20, 2010





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Second Data Request  
Dated February 15, 2008**

**Case No. 2007-00410**

**Question No. 1**

**Witness: Lonnie E. Bellar / Butch Cockerill / John Wolfram**

- Q-1. At page 2 of its January 10, 2008 motion, LG&E states that it and Kentucky Utilities Company ("KU") cannot synchronize their late payment policies outside of a general rate case because of the revenue impact. State and explain all other reasons, if any, why LG&E and KU cannot synchronize their late payment policies.
- A-1. The revenue impact – which more specifically is the impact to the revenue requirement (based on the cost of service) used by the Companies to determine proposed base rates in a general rate case filing – is the only reason. This presumes that in a general rate case, the cost of service (and therefore the revenue requirement) includes all costs incurred by the Companies to manage late payments, including finance costs as well as programming costs for the billing system.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Second Data Request  
Dated February 15, 2008**

**Case No. 2007-00410**

**Question No. 2**

**Witness: Butch Cockerill / John Wolfram**

Q-2. State whether, once the new LG&E and KU customer care system ("CCS") is implemented, LG&E and KU can more easily change the payment due date of customer bills. Explain fully the steps involved and time required to make such a change.

A-2. Once CCS is implemented, LG&E and KU will be able to change the payment due date more easily than the process would involve today for the current LG&E and KU CIS applications. This is the case because in the new system, the collection cycle period is "configurable" – i.e. it is a parameter that is not hard-coded into the system programming but rather it is, in simplified terms, a parameter that may be entered.

While actually changing the parameter will require a simple change in configuration, the steps (see attachment) that are necessary for a system of this scale will be extensive. In other words, it might only take moments to change the parameter but it could take up to 12 weeks to thoroughly test all billing routines, validate the related components of the overall system, document changes, and communicate to Company representatives and customers.

**Outline of steps for making a system configuration change**

Category	Description
Initial Configuration Change	Modify system settings for a standard payment term (not fixed)
Testing	Test the change in configuration by creating a test invoice for an account using the payment term
Configuration	Modify system settings for a fixed payment term (to be used for collective invoicing; each unique calendar due date requires its own set of fixed payment terms)
Testing	Test the change in configuration by creating a test invoice for collective account using the fixed payment term
Analysis	Analyze reports to determine potential cash flow impact and LPC revenue impact of customers billed on "old" payment terms with open items at time of "new" payment term implementation (e.g., \$\$ billed but not yet due, overdue but not yet in receipt of brown bill, in receipt of brown bill, disconnected)
Development	Review and revise impacted development programs
Testing	Test the dunning collection process on account billed using the modified payment term to ensure activities occur as expected
Testing	Test the late payment charge process on account billed using the modified payment term to ensure activities occur as expected
Testing	Test the payment priority process on account billed using the modified payment term to ensure activities occur as expected
Testing	Test the collective and standard bill presentment of account invoiced using the new payment term including Bill View display, paper invoice, and UCES presentment
Documentation	Update system documentation to reflect changes
Documentation	Update training documentation to reflect changes including out-dated screen shots, etc.
Communications	Communicate implementation of changes to stakeholders and end users
Communications	Communicate changes to customers including for those customers that fall into the "transition interim process"



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Second Data Request  
Dated February 15, 2008**

**Case No. 2007-00410**

**Question No. 3**

**Witness: Butch Cockerill / John Wolfram**

- Q-3. LG&E stated in its application that it plans to implement the new CCS in February 2009.
- a. Explain why February 2009 was chosen as the implementation date.
  - b. Provide the costs LG&E and KU have each incurred to date to develop the new CCS.
  - c. Provide the total cost LG&E and KU are each projected to incur for the new CCS.
  - d. Provide and explain any additional costs to LG&E and to KU if, at its current point of development, the CCS process is suspended for 6 months, 12 months, and 18 months.
- A-3. a. The implementation date was chosen because the Companies' project team, in conjunction with our third party consultant and business partner Accenture, determined that 22 months would be required for all requisite phases -- mobilization, blueprint, design, build, test, and deployment -- of the CCS system development. The project was approved in the first quarter of 2007 and the 22 month schedule commenced immediately; this resulted in the implementation target for February 2009. See the detail by phase tabulated below.

CCS Implementation	Dates
<i>Mobilization</i> – Initial planning and project start up	March 2007 – May 2007
<i>Blueprint</i> – analyze and document detailed business processes and migration plan	May 2007 – August 2007
<i>Design</i> – detailed design of SAP system layout	September 2007 – December 2007
<i>Build</i> – system configuration and development of enhancements and interfaces	January 2008 – June 2008
<i>Test</i> – validation of programs, data and processes	July 2008 – October 2008
<i>Deploy</i> – rollout of the applications	November 2008 – February 2009
Go-Live and Initial Production Support	March 2009 – April 2009

- b. The costs incurred as of January 31, 2008 are broken down as follows:

	(\$000)	
	Capital	O&M
LG&E	\$ 14,700	\$ 577
KU	12,931	527
Total	\$ 27,031	\$ 1,104

- c. The total costs projected for the CCS project are broken down as follows:

	(\$000)	
	Capital	O&M
LG&E	\$ 43,611	\$ 5,672
KU	40,257	5,235
Total	\$ 83,868	\$ 10,907

The CCS project costs are allocated 52% to LG&E and 48% to KU. This allocation is based on the combination of allocation factors currently used by the Companies for revenues, total assets and payroll.

- d. The additional costs to KU and LG&E for suspending the project for 6, 12, and 18 months respectively are summarized in the table below.

<b>Delay</b>	<b>Cost Range</b>
6 months	\$10 to \$12 million
12 months	\$22 to \$27 million
18 months	\$22 to \$27 million

It is important to note, however, that consideration of project delay or suspension requires far more than a cost analysis. There are numerous risks associated with such delays – not only to the project but also to the retail business of the Companies.

The business risks associated with any delay are significant. The new CCS will mitigate many of the risks associated with aged systems. The new CCS will permit the Companies to implement new, more flexible rate structures that are not currently supported by the existing CIS – including broad real-time pricing alternatives. The new CCS will permit further harmonization between LG&E and KU and will enhance our ability to offer emerging energy efficiency programs and other alternatives that meet the needs of our customers. In short, the objective of the new CCS is to establish a new, single, modern platform for retail operations. Any delay to CCS implementation puts the Companies at greater risk in areas of billing, collections, customer service, field services, and retail program offerings.

A delay of six months would cause the project labor costs to escalate, primarily in project management, leadership, and administrative functions. It would also cause non-labor expenses, such as facilities and office expenses to increase. Inefficiencies for which cost is difficult to quantify would also be introduced during any delay. Costs associated with recoding, retraining, and reallocating personnel would escalate.

A delay of 12 or 18 months would effectively require the Companies to halt the project as is and start over. Some of the work would be salvageable but for a time delay of that length, both technological and business changes would likely require the Companies to revisit nearly every aspect of project design and implementation.