



an *e-on* company

RECEIVED

OCT 04 2007

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
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

F. Howard Bush
Manager - Tariffs/Special
Contracts
T 859-367-5636 (Lexington)
T 502-627-4136 (Louisville)
F 502-627-3213
howard.bush@eon-us.com

October 4, 2007

**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 First Data Request of Commission staff dated September 26, 2007, in the above-referenced proceeding.

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

Sincerely,

A handwritten signature in cursive script that reads 'F. Howard Bush' followed by a small mark that appears to be initials or a flourish.

F. Howard Bush

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 04 2007

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 FIRST DATA REQUEST
DATED SEPTEMBER 26, 2007

FILED: OCTOBER 4, 2007

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 Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the responses (Question Nos. 1 - 11) , 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 4th day of October, 2007.

Jammy J. Elroy (SEAL)

Notary Public

My Commission Expires:

November 9, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 1

Witness: Sidney L. "Butch" Cockerill, Director – Revenue Collection

Q-1. Refer to the testimony of Sidney L. "Butch" Cockerill. At page 1, in response to the third question, he states that, "There are two significant drivers for the proposed change," and that, "The first reason for the change is to more closely align LG&E's billing process to KU's." Explain in detail why, if LG&E wants to more closely align its billing process to KU's, LG&E is not proposing to eliminate its late payment fee since KU does not charge such a fee.

A-1. The decision to request a change of the LG&E collection cycle was driven by the Company's preference to design a single collection cycle into its new Customer Care System. The Company is at the stage in the CCS project where a decision on this issue is needed by November 21, 2007. After reviewing the customer and operational impacts of LG&E's and Kentucky Utilities Company's ("KU") current collection cycles, it was determined that KU's was the best option for the reasons stated in the application. On the other hand, the design of the late payment fee process is not as complex as designing the collection cycle, and therefore it was not necessary that a decision be made on the late payment fee at this time.

While the Company has not conducted a thorough evaluation on the impact, to its customers or the Company, of adopting either Company's late payment fee position, the Commission has previously found that LG&E's late payment fee "serves as an incentive and has an important role in LG&E's bill collection strategy." See *In the Matter of: Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company, Case No. 90-158, Order of December 21, 1990, p. 73.* In addition, because a proposal to add a late payment fee to KU's tariff would require a revenue adjustment, the Company believes that any change to the Company's late payment fee processes should be left for a future rate proceeding.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 2

Witness: Sidney L. "Butch" Cockerill, Director – Revenue Collection

Q-2. If the bill due date is reduced to 10 days, will LG&E be able to disconnect service to non-paying customers sooner than it would be able to disconnect with a 15- day bill due date?

A-2. Yes. By changing the bill due date to 10 days from the date the bill is rendered, LG&E will normally be able to complete the collection process prior to the next regularly scheduled billing date. However, in accordance with 807 KAR 5:006, Section 1(f)(1), LG&E will never terminate service for non-payment prior to twenty-seven (27) days after the mailing date of the original unpaid bill.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 3

Witness: Sidney L. "Butch" Cockerill, Director – Revenue Collection

- Q-3. Explain, in both narrative form and by a chart showing illustrative dates, the statement by Mr. Cockerill at page 1 that the existing 15-day due date allows for more than one bill to be issued prior to disconnection for non-payment.
- A-3. See attachment to Question No. 4. In the example provided (August and September 2007), within the existing fifteen (15) day due date collection cycle, the brown bill for the August customer bill is issued twelve (12) days prior to the date the new September bill is mailed to the customer. The customer will receive the new September bill before the due date of the August brown bill. The customer will then have two separate documents with different due dates and different amounts. In the example provided, the customer has the August brown bill indicating the amount due as of August 24 (the brown bill issue date) and showing the brown bill due date of September 7. The customer has also since received the new September bill indicating the amount due (the past due amount from August + the September amount billed). Clearly, the amount due on the September bill is different than the amount shown on the August brown bill. The new September bill indicates a due date of September 20, thirteen days later than the due date indicated on the August brown bill.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 4

Witness: Sidney L. "Butch" Cockerill, Director – Revenue Collection

- Q-4. Explain, in narrative form and by a chart showing illustrative dates, the statement that reducing the bill due date to 10 days will eliminate the issuance of more than one bill prior to disconnection for non-payment.
- A-4. See attached illustration. In the example provided, within the proposed ten (10) day due date collection cycle, the brown bill for the August customer bill will be issued fifteen (15) days prior to the date the September bill is mailed to the customer. Even with weekends and a holiday, the customer will receive the new September bill after the due date of the August brown bill. In the example, the August brown bill due date has passed before the next month (September) bill is mailed (rendered).

Answer to Q3 and Q4 of the KPSC Commission Staff's First Data Request – Case No. 2007-00410 – Chart showing illustrative dates of the existing LG&E 15-day due date collection cycle and the proposed LG&E 10-day due date collection cycle – Example is based on LG&E Meter Read Cycle 1 for August 2007

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1 AUGUST Both: Meter Read date for August bill	2 Q4-Proposed: Bill mailed (rendered) for August bill	3 Q3-Current: Bill mailed (rendered) for August bill	4
5	6	7	8	9	10	11
12	13 Q4-Proposed: Bill Due Date for August bill	14	15	16	17	18
19	20 Q3-Current: Bill Due Date for August bill Q4 – Proposed: Brown Bill issued	21	22	23	24 Q3 – Current: Brown Bill issued for August bill	25
26	27	28	29	30	31 <i>Q3 – Current: Meter Read date for September bill</i> Q4-Proposed: Brown Bill Due Date for August bill <i>Q4 – Proposed: Meter Read date for September bill</i>	1 SEPTEMBER
2	3 HOLIDAY	4 Q4-Proposed: Disconnect Date for August bill <i>Q4 – Proposed: Bill mailed (rendered) for September bill</i>	5 <i>Q3 – Current: Bill mailed (rendered) for Sept. bill</i>	6	7 Q3-Current: Brown Bill Due Date for August bill	8
9	10 Q3-Current: Disconnect Date for August bill	11	12	13	14 <i>Q4 Proposed: Bill Due Date for Sept. bill</i>	15
16	17	18	19	20 <i>Q3-Current: Bill Due Date for Sept. bill</i>	21	22

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 5

Witness: Sidney L. "Butch" Cockerill, Director – Revenue Collection

- Q-5. Does LG&E intend to file revisions to the Bill Format, set forth in its tariffs as Sheet No. 89, to reflect the proposed change in bill due date?
- a. If yes, explain the revisions that will be needed to the Bill Format and state when they will be filed.
 - b. If no, explain why no revisions are needed to reflect that the gross amount of the bill will no longer be due after the payment due date but will be due 5 days after the payment due date.
- A-5. Yes. LG&E intends to revise the BILLING INFORMATION section of the customer bill, as well as the remittance portion, to clarify that the late charge will be assessed five days after the due date. The revision will be filed prior to implementation of this change (expected in February 2009), if approved.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 6

Witness: Sidney L. "Butch" Cockerill, Director – Revenue Collection

- Q-6. Does LG&E currently have a program that allows customers to pay their utility bills each month through an automatic deduction from their bank accounts?
- a. If yes, under LG&E's current tariff, how many days after a customer's bill is rendered is the customer's bank account debited?
 - b. If yes, under LG&E's proposed tariff, how many days after a customer's bill is rendered will the customer's bank account be debited?
- A-6. Yes. Customers who have enrolled in LG&E's Automatic Bank Club ("ABC") continue to receive a monthly bill. The only difference is that an ABC customer's bill indicates that the current amount due will be deducted from the customer's bank account on the payment due date.
- a. Fifteen (15) days.
 - b. Ten (10) days.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 7

Witness: Sidney L. "Butch" Cockerill, Director – Revenue Collection

- Q-7. Has LG&E notified its customers that it is requesting approval to reduce the payment due date from 15 days to 10 days after the bill is rendered?
- a. If yes, explain how the notice was made and provide copies of the notice.
 - b. If no, explain why LG&E does not believe that it is appropriate for its customers to know in advance that the due date for paying bills will be reduced from 15 days to 10 days.
- A-7. LG&E has not directly notified its customers of this proposal.
- a. n/a
 - b. LG&E has filed its Application for approval of this change in accordance with the Commission's regulations. However, if the Commission approves the proposed change, LG&E will notify customers of the change in advance of implementation.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 8

Witness: Sidney L. "Butch" Cockerill, Director -- Revenue Collection

- Q-8. Explain in detail the extent of LG&E's consideration of whether customers paying by bank draft may not have sufficient funds to pay their LG&E bills 5 days earlier than those bills are now being paid.
- A-8. As noted in response to Question 6 above, ABC customers will continue to receive their bill in advance of the payment due date. As long as customers receive advance notification, LG&E believes that customers who would be able to meet the bank draft on one date will also be able to do so five days earlier. In addition, the change should only have a one time impact.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 9

Witness: Sidney L. "Butch" Cockerill, Director -- Revenue Collection

Q-9. Does LG&E issue a notice of termination ("brown bill") to every customer whose bill is not paid by the due date? If no, for each of the past three 12-month periods ending June 30, state how many customers did not pay by the due date and how many brown bills were issued.

A-9. No. LG&E does not specifically track the number of customers who fail to make payment by the stated due date. However, the following numbers of brown bills were issued during the past three 12-month periods:

12-months ending 6/30/05: 559,601

12-months ending 6/30/06: 491,742

12-months ending 6/30/07: 448,013

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 10

Witness: Sidney L. "Butch" Cockerill, Director – Revenue Collection

- Q-10. Assuming that bills are due 10 days after being rendered and that the gross amount is not due until 15 days after bills are rendered, explain in detail the incentive, if any, that will exist for customers to pay by the due date rather than waiting to pay just before the penalty applies.
- A-10. LG&E considers customer payment history (timeliness) when determining whether issuance of a brown bill is appropriate and when evaluating residential account deposit refunds. For these reasons, LG&E believes that there is an incentive for the customer to pay by the due date in order to maintain a favorable payment history with the Company.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated September 26, 2007**

Case No. 2007-00410

Question No. 11

Witness: Sidney L. "Butch" Cockerill, Director – Revenue Collection

Q-11. Assuming that bills are due 10 days after being rendered, explain in detail the future impact upon a customer's credit and payment history if payments are made after the due date but before the late payment fee applies.

A-11. See the answer to Question 10 above.