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Protection Cabinet

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Mark David Goss  
Chairman

John W. Clay  
Vice Chairman

Caroline Pitt Clark  
Commissioner

January 17, 2008

TO: PARTIES OF RECORD  
RE: Case No. 2007-00410  
Louisville Gas and Electric Company

Enclosed is a memorandum that has been filed in the record of the above-referenced case. Any comments regarding the content of this memorandum should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Chris Whelan at (502) 564-3940, Extension 233.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a large, stylized scribble.

Beth O'Donnell  
Executive Director

Enclosure

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** File

**FROM:** Chris Whelan, Team Leader

**DATE:** January 17, 2008

**RE:** Case No. 2007-00410 – Revised Collection Cycle for Payment of Bills

On January 15, 2008, Commission Staff held an informal conference (“IC”) with Louisville Gas and Electric Company (“LG&E”) and the Attorney General (“AG”). The purpose of the conference was to discuss LG&E’s motions to reconsider and modify the Commission’s December 18, 2007 Order denying LG&E’s request to reduce its bill payment period from fifteen days to ten days. LG&E requested the conference and Staff issued notice of the IC on January 11, 2008.

LG&E began the conference with a brief overview of its application and a discussion of its payment processing and the customer care system under development. To assist with its presentation, LG&E provided handouts for all participants. A copy of the handout is attached hereto.

LG&E stated that prior to outsourcing its payment processing to Atlanta, the company picked up mail once a day and processed payments 5 days a week, 8 hours a day. With its recent outsourcing to an Atlanta company, there are six mail pickups a day and payments are processed 7 days a week, 24 hours a day. LG&E stated that although payments take almost a full day longer to reach Atlanta than when mailed to a Louisville address, the extra mailing time is somewhat mitigated because of the new additional pickups and extended processing hours which should speed up the overall processing time.

The parties discussed their interpretation of the term “fully unified” customer care system as used in the Commission’s December 18, 2007 Order. LG&E interpreted “fully unified” to mean identical rates, tariff structure, and policies and procedures. Commission Staff interpreted it to mean the same collection cycle and late payment policy. LG&E stated that it received approximately \$4 million in late payment fees in the last twelve months and neither it nor Kentucky Utilities (“KU”) could make a change to its late payment policy outside of a general rate case because doing so would have a revenue impact. LG&E said it would consider unifying its late payment policies with those of KU in their next general rate cases which were expected to be filed sometime in 2008.

The parties discussed LG&E's behavioral scoring system which assigns an internal credit score based on customer payment patterns. Staff expressed some concern that a customer's internal credit score would be negatively affected when, under LG&E's proposal, payments are received and posted by LG&E between the 10<sup>th</sup> and 15<sup>th</sup> day from the date of rendition of the bill. LG&E was asked if it would be possible, under the new customer care system, to use only payments made after the 15<sup>th</sup> day as being late for purposes of the internal credit score (i.e., there would be no negative effect on the customer's internal credit score for payments made during the 5 day grace period prior to the assessment of a late payment fee). LG&E said it would provide an answer as soon as possible.

Staff asked LG&E about a statement made on pages 4 and 5 of its January 10, 2008 filing. In that filing, LG&E stated that synchronizing its bill due date with KU would not affect "when LG&E may disconnect a customer for non-payment". LG&E clarified that, under its proposal, customers would be subject to disconnection 5 days earlier than they are currently but that the disconnection would occur at least twenty-seven days after the billing date as required by Commission Regulation.

cc: Parties of Record

Attachments: Sign-In Sheet  
                  LG&E Handout (Main Case File only)

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 )

=====  
January 15, 2008 Informal Conference  
=====

Please sign in:

NAME

REPRESENTING

RICHARD G. RAFF	PSC-LEGAL
Ron Haudziak	PSC-FA
Chris Whelan	PSC
Butch Cockerill	E.ON
Benny Smith	PSC
AARON GREENWELL	PSC-FA
Paul Adams	0AG
Connie Bellar	E.ON U.S.
Allyson Sturgeon	E.ON U.S.
John Wolfraen	EON-U.S.
Duncan Crosby	SKO for E.ON US
Kendrick Riggs	SKO for EON US.
Fereydoon Gorjian	PSC-Electric Branch
Bob Amato	PSC

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Informal Conference:  
Case No. 2007-00410 Application for Revised  
Collection Cycle for Payment of Bills

January 15, 2008

## **Purpose of Application**

- Avoids unnecessary customer confusion
  - Allows completion of entire collection cycle before customer receives next bill while complying with PSC regulation that no account should be disconnected prior to 27 days from bill date
- Improve our Customer Service Representatives ability to respond to questions
- Harmonizes the collection process of both utilities
- No change in when late payment fee applied

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Payment Processing

## Payment Processing

- Phoenix-Hecht Results indicate less than one day difference in mailing time: 2.79 vs. 1.96
- Increase in mailing time offset by:
  - Six mail pick-ups daily vs. one mail pick-up
  - Payments processed 24 hrs/day vs. 8 hrs/day
  - Payments processed 7 days a week vs. 5 days a week
- Customers choosing to remit via electronic payment
  - Mailed payments declining since 2003
  - 43% of bill payments by mail in 2007 vs. 56% in 2003
- Analysis determined prudent to outsource remittance
  - Poor investment due to declining volumes
  - Provides five payment processing sites across U.S. for disaster recovery



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Customer Care Solution (CCS)

## **Description of current system**




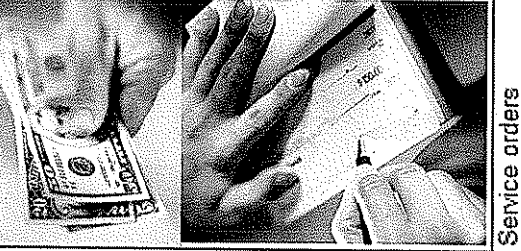
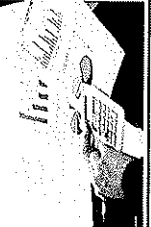
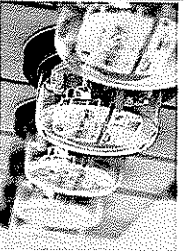
- KU CIS – deployed in 1987, uses an IMS database
- LG&E CIS – deployed in 1993, uses a DB2 database
- Average age of CIS systems at investor owned utilities - 9 years<sup>(1)</sup>
- E.ON U.S. has seven billing systems – not fully integrated, no single source of billing information
  - LG&E CIS
  - KU CIS
  - Summary Billing
  - Non-Regulated
  - Oracle Sundry
  - Damage Tracking System
  - Excel
- 300 interfaces between disparate systems supporting the Retail Business

(1) 2005 Causey/Energy Central survey

## Scope of project

- Implementation of Customer Care Solution (CCS)
  - Customer utility and miscellaneous billing
  - Revenue accounting, credit and collections
  - Customer interaction and relationship management
  - Service order and meter management
  - Electronic Data Management (EDM) allows for real time pricing
  
- Ancillary Systems/Scope
  - Business Intelligence/Warehouse for reporting
  - Enterprise Portal for user access
  - Replacement of Mobile Dispatch and Scheduling For Customer Service Field Personnel
  - Upgrade/replacement of related systems

## Overview of Processes

 <p><b>Customer Interaction</b></p>	<p><b>Customer inquiries</b>          New customer setup          Move in, out, force out          Landlord processing          Customer analytics          Marketing campaigns</p>	<p><b>Self Service</b></p> 	<p>Self service eBill          Self service ePayment          Self service web account display          Self service web service requests          Self service IVR - interfacing</p>
<p><b>Billing</b></p> 	<p><b>Scheduling</b>          Regional structure          Meter reading orders down- &amp; uploads          Consumption estimation          Meter read corrections          Rates          Billing          Budget billing          Street lighting, unmetered supply          Invoicing          Taxes          Billing and invoicing simulations          Billing and invoicing exceptions          Collective invoicing          Bill inserts / messages          Reversals          Non-energy billing</p>	<p><b>Finance</b></p> 	<p>Process payments          Dunning          Credit score          Late payment fees          Payment deferrals          Installment plans          Automatic bank draft enrollment/de-enrollment          Collection agencies, bankruptcy, write-offs          Payment errors          Returned payment items          Refunds          Social programs          Unclaimed monies          Deposits          GL posting          Month-end, year-end processing          Unbilled revenues</p>
<p><b>Business Intelligence</b></p> 	<p><b>Reporting</b></p>	<p><b>Service orders</b></p> 	<p>Device lifecycle          Device inspections / certification          Service order dispatch, monitor, completion          Appointment scheduling          New connections          Temporary supply / builders          Trouble / Outage (with TOE)</p>

## ***Primary Systems Being Replaced or Upgraded***

### **Existing System**

#### **Replaced:**

Electronic Fund Transfer System  
LGE and KU CIS  
Meter Device Inventory System  
Meter Subsystem  
Non-Regulated Billing (NRB)  
SMILE  
SSI - Cashier/Teller  
Summary Billing  
Customer Self Service (Internet)  
Itron Integrator  
Auto Dispatch

#### **Upgraded:**

Customer Complaint Tracking  
Code1  
Doc1 Print (Enterprise Bill Print)

### **Primary Purpose/ Description for CCS**

Daily sweep of local banks  
Customer information system  
Meter asset management  
Entry of MV90 reads for KU CIS  
Bill non-regulated items  
CIS front-end for call center  
Walk-in cashier system  
Summary billing for customers  
Customer internet site  
Meter reading  
Service Order schedule/dispatch/mobile

Track/collect customer complaints  
Address scrubbing  
Bill formatting

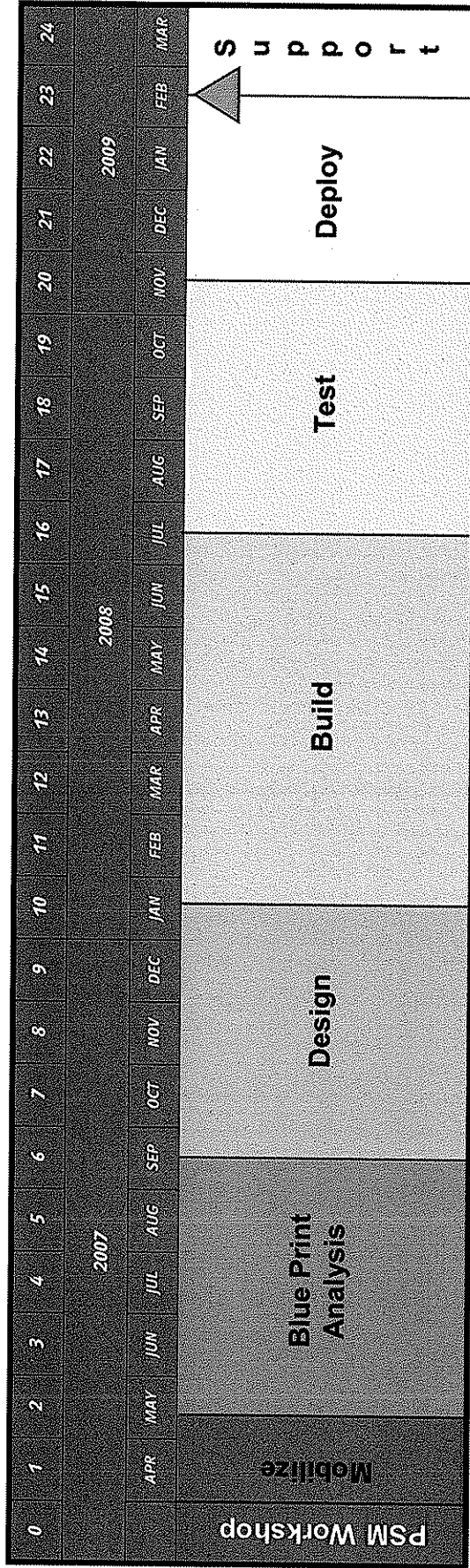


U.S.

# To-Be Application Architecture



## Project Timeline



The planned CCS project spans a 22 month schedule, with all functionality going live at the same time in mid-February 2009.

# Project Approach

## Accenture Delivery Methods

