

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

In the Matter of:

TARIFF FILING OF KENTUCKY-AMERICAN)
WATER COMPANY TO ESTABLISH A) CASE NO. 2012-00155
LATE PAYMENT FEE)

KENTUCKY-AMERICAN WATER COMPANY'S
RESPONSES TO COMMISSION STAFF'S SUPPLEMENTAL
REQUEST FOR INFORMATION

Kentucky-American Water Company provides the attached responses to Commission Staff's July 12, 2012 Supplemental Request for Information.

Respectfully submitted,

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By: Monica H. Braun
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Attorneys for Kentucky-American Water Company

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served by U.S. Mail delivery, postage prepaid, to the following parties on this 3rd day of August, 2012:

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By: *Manica H. Braun*
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

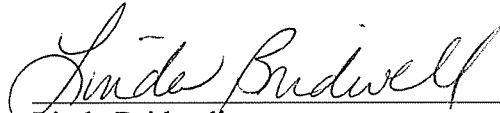
In the Matter of:

TARIFF FILING OF KENTUCKY-AMERICAN)	
WATER COMPANY TO ESTABLISH A)	CASE NO. 2012-00155
LATE PAYMENT FEE)	

CERTIFICATION OF RESPONSES TO INFORMATION REQUESTS

This is to certify that I have supervised the preparation of Kentucky-American Water Company's Responses to Commission Staff's July 12, 2012 Supplemental Requests for Information and that the responses are true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

Date: 8/2/2012



Linda Bridwell
Manager, Rates and Regulation
Kentucky-American Water Company

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00155
COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION

Witness: **Linda C. Bridwell / Melissa Schwarzell**

Question:

1. Refer to Kentucky-American's Application, Exhibit 4.
 - a. Provide a net investment rate base, and capital structure, for the calendar year 2011. Provide all documents, state all assumptions, and show all calculations that Kentucky-American uses to prepare its response.
 - b. Using Kentucky-American's response to Item 1 (a), the projected revenue from the late payment fee, and adjusting net operating income to include Allowance for Funds Used During Construction ("AFUDC"):
 - (1) Calculate Kentucky-American's overall return on rate base and return on capital structure for the calendar year 2011
 - (2) Provide a comparison of the returns calculated in Item 1(b)(1) to the overall cost of capital that the Commission authorized in Case No. 2010-00036.*
 - c. Using Kentucky-American's response to Item 1(a) and the projected revenue from the late payment fee, adjusting net operating income to include AFUDC, and eliminating the one-time, non-utility income tax benefit associated with Kentucky-American's transfer of Jacobson Park to Lexington-Fayette Urban County Government (LFUCG) :
 - (1) Calculate the overall return on rate base and return on capital structure for the calendar year 2011.
 - (2) Provide a comparison of the returns calculated in this response to the overall cost of capital authorized in Case No. 2010-00036.
 - d. Kentucky-American is adjusting Net Income to Common Stock to eliminate the "One-Time Non-Utility Income Tax Benefit" of the Jacobson Park transfer to LFUCG by \$4,472,156.
 - (1) Provide all documents, state assumptions, and show all calculations Kentucky-American used to calculate the state and federal income tax benefits from the Jacobson Park transfer to the LFUCG.
 - (2) Explain in detail why Kentucky-American is proposing to eliminate the "One-Time Non-Utility Income Tax Benefit" of the Jacobson Park transfer to the LFUCG.

- (3) Explain why it is not more appropriate to amortize the income tax benefits rather than to totally eliminate the benefits from net operating income.
- e. Provide documentation to support Kentucky-American's contention that only 25 percent of the Jacobson Park Income Tax benefit will affect retained earnings.

Response:

- A.-B. Please see the first attachment.
- C. See response to part B.
- D. 1) Please see the second attachment.
- 2) Kentucky American was not attempting to propose ratemaking treatment for the Jacobson donation in its application for a late fee tariff, but was merely identifying some of the below the line activity that was displayed on the financial statements in Exhibit 4, for explanatory purposes.
- 3) Kentucky American is not proposing one ratemaking treatment or another in this application, but rather made note of these transactions in order to provide some explanation of the activity on the Exhibit 4 financial statements
- E. This was a high-level assumption. In actuality, Kentucky American must not exceed a 45% equity ratio, and dividend payments can fluctuate in order to prevent excess equity.

Kentucky American Water
 Case No. 2012-00155
 PSC DR2 1A
 Net Investment Rate Base 13 Mos Ended December 2011
 Exclude Sewer Items & Use Working Capital Per Authorization Case 2010-00036

Assumptions:
 (Except where note, these are Total Utility 13 Month Averages less Sewer Utility 13 Mo Averages)

Balance Sheet Line 1, UPIS, less AFUDC Debt & Property Held for Future Use
 Balance Sheet Line 4, UPAA
 Balance Sheet Line 2, CWIP
 Balance Sheet Line 3, Accum Dep. + Account 256250

Net Plant	13 Month Average
Utility Plant in Service	\$ 568,557,703
Utility Plant Acquisition Adjustments	\$ 255,536
Construction Work in Progress	\$ 6,630,632
Accumulated Depreciation	\$ (113,968,880)
Net Plant	\$ 461,474,990

Additions

*Working Capital Allowance	\$ 1,729,000
Other Working Capital Allowance	\$ 678,688
Deferred Maintenance	\$ 2,769,251
Deferred Debits	\$ 1,683,861
	\$ 6,860,800

*From Final Order Case 10-00036
 Balance Sheet Line 17, Materials & Supplies
 Account 186401 Deferred Maintenance (no Sewer Amounts)
 Account 186598

Deductions

Contributions in Aid of Construction	\$ 48,449,481
Customer Advances	\$ 12,461,227
Deferred Income Taxes	\$ 60,371,682
Deferred Investment Tax Credits	\$ 75,044
Other Rate Base Elements	\$ 114,979
	\$ 121,472,413

Balance Sheet Line 62
 Balance Sheet Line 55
 Balance Sheet Line 56 + (Balance Sheet Line 58 less Account 256250) - Balance Sheet Line 26
 (no Sewer Amounts)
 Account 255101, Unamortized ITC-3%
 Account 234200 Accts Pay-Contract Ret + Account 241234 Unclaimed Ext Dep Refund Pay + Account
 262120 DCA-Accr Pension Def Benefit

Net Rate Base

\$ 346,863,378

Kentucky American Water

Case No. 2012-00155

PSC DR2 1A

Capital Structure

13 Month Average December 2010 - December 2011

Description	13 Mo Average	Cost	% Cost	Weight	Weighted Cost	Notes
Short Term Debt	\$ 17,591,971	\$ 72,584	0.41%	5.09%	0.02%	Cost Per Analysis of Income, Line P58
Long Term Debt	\$ 168,605,385	\$ 10,567,864	6.27%	48.77%	3.06%	Cost Per Analysis of Income, Accts 810100, 810400, 820100, 820110
Preferred Stock	\$ 5,945,600	\$ 459,547	7.73%	1.72%	0.13%	Cost Per Analysis of Income, Accts 860040 & 755201, Plus Line 64
Common Equity	\$ 153,559,086		9.7%	44.42%	4.31%	Cost Authorized Case No. 2010-00036
	\$ 345,702,042					
				Overall Weighted Cost of Capital	7.52%	

Kentucky American Water
 Case No. 2012-00155
 PSC DR2 1B
 Comparison of Rate of Return Adjusted for AFUDC & Late Payment Revenue vs. Authorized

1) Authorized Capital Structure Per Case 2010-00036

Page 60 for Weight, Page 71-72 for Costs

Description	Weight	Cost	Weighted Cost
Short Term Debt	2.577%	1.90%	0.05%
Long Term Debt	51.921%	6.38%	3.31%
Preferred Stock	1.647%	7.74%	0.13%
Common Equity	43.855%	9.70%	4.25%
Overall Authorized Rate of Return			7.74%

2) Calculate Utility Operating Income, Adjusted for AFUDC and Projected Late Payment Revenue

Item	Amount	Notes
Utility Operating Income	\$ 24,555,310	Per Exhibit 4, Case No. 2012-00155
Adjustment to Add AFUDC	\$ 412,080	Per Exhibit 4, Case No. 2012-00155
Adjustment to Add Projected Late Payment Fee Revenue	\$ 669,467	Per Exhibit 5, Case No. 2012-00155
Adjusted Utility Operating Income	\$ 25,636,857	

3) Calculate Adjusted Rates of Return on Rate Base and Capital Structure and Compare to Authorized Rate of Return

2011 Adjusted Rate of Return on Rate Base	As Calculated	Vs Authorized	Variance
Adjusted Utility Operating Income	\$ 25,636,857		
Rate Base	\$ 346,863,378	7.74%	-0.35%
Adjusted Return on Rate Base	7.39%		
2011 Adjusted Rate of Return on Capital Structure	As Calculated	Vs Authorized	Variance
Adjusted Utility Operating Income	\$ 25,636,857		
Capital Structure	\$ 345,702,042	7.74%	-0.33%
Adjusted Return on Capital Structure	7.42%		

**Kentucky American Water
Cause 2012-00155
PSC DR2 1D1**

Calculation of Tax Benefit for Jacobson Park Donation

Estimated Restricted Use Value	\$	11,480,000
Cash Donation for Main Entrance		35,000
Appraisal Fee		2,000
Original Book Value of Land		(20,455)
Deduction	\$	11,496,545
Tax Rate		38.9%
Calculated Tax Benefit	\$	4,472,156

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00155
COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION

Witness: **Melissa Schwarzell**

Question:

2. Refer to the Application, Exhibit 5.

- a. Provide a net investment rate base, capital structure, and statement of income for Kentucky-American for the 12-month budget period ending December 31, 2012. Provide all documents, state all assumptions, and show all calculations that Kentucky-American used to prepare its response.
- b. Using Kentucky-American's response to Item 2(a), the projected revenue from the late payment fee, and adjusting net operating income to include AFUDC:
 - (1) Calculate the overall return on rate base and return on capital structure for the 12-month budget period ending December 31, 2012.
 - (2) Provide a comparison of the returns calculated in response to Item 2(b)(1) to the overall cost of capital that the Commission authorized in Case No. 2010-00036.

Response:

Please see the attachment.

Kentucky American Water
 Case No. 2012-00155
 PSC DR2 2A
 Net Investment Rate Base Per 2012 Operating Budget, 13 Month Average
 Exclude Sewer Items & Use Working Capital Per Authorization Case 2010-00036

	13 Month Budgeted Average	Assumptions:
	December 2011 - December 2012	(Except where note, these are Total Utility 13 Month Averages less Sewer Utility 13 Mo Averages)
Net Plant		
Utility Plant in Service	\$ 591,303,133	Balance Sheet Line 1, UPIS
Utility Plant Acquisition Adjustments	\$ 255,000	(less AFUDC Debt & Property Held for Future Use, for which June 2012 actual balance used... not budgeted separately)
Construction Work in Progress	\$ 10,056,846	Balance Sheet Line 4, UPAA
Accumulated Depreciation	\$ (122,466,615)	Balance Sheet Line 2, CWIP
Net Plant	\$ 479,148,364	Balance Sheet Line 3 Accumulated Depreciation & Balance Sheet Line Cost of Removal

Additions	
*Working Capital Allowance	\$ 1,729,000
Other Working Capital Allowance	\$ 426,769
Deferred Maintenance	\$ 3,664,385
Deferred Debits	\$ 1,682,000
	\$ 7,502,154

Deductions	
Contributions in Aid of Construction	\$ 50,040,769
Customer Advances	\$ 12,695,692
Deferred Income Taxes	\$ 49,122,308
Deferred Investment Tax Credits	\$ 75,000
Other Rate Base Elements	\$ (716,900)
	\$ 111,216,869

Net Rate Base	\$ 375,433,649
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*Balance Sheet Line #'s are JDE reference. Hyperion is used for Balance Sheet Budgeting and Line #'s are Not Relevant to Hyperion

*From Final Order Case 10-00036
 Balance Sheet Line 17, Materials & Supplies
 Account 186401 Deferred Maintenance
 Account 186598 Other Reg Assets

Balance Sheet Line 62 CIAC
 Balance Sheet Line 55 Customer Advances
 Balance Sheet Line 56 Deferred Income Taxes + - Balance Sheet Line 26 Income Tax Recovery (in budget, this encompasses Balance Sheet Line 58 less Cost of Removal)
 Account 255101, Unamortized ITC-3%
 Account 234200 Accts Pay-Contract Ret + Account 262120 DCA-Accr Pension Def Benefit + Account 241234 Unclaimed Ext Dep Refund Pay
 (used June 2012 balance for 241234... not budgeted separately)

**Kentucky American Water
Case No. 2012-00155
PSC DR2 2A
Capital Structure
Per 2012 Operating Budget**

Description	13 Mo Average	Cost	% Cost	Weight	Weighted Cost	Notes
Short Term Debt	\$ 4,869,231	\$ 54,175	1.11%	1.35%	0.02%	Cost Per Budgeted Income Statement, "Interest on Bank Debt"
Long Term Debt	\$ 191,466,462	\$ 11,978,311	6.26%	53.16%	3.33%	Cost Per Budgeted Income Statement, Interest on Long Term Debt + Amortization of Debt Expense
Preferred Stock	\$ 5,946,000	\$ 457,038	7.69%	1.65%	0.13%	Cost Per Budgeted Income Statement, Preferred Dividend + Preferred Stock Debt Payments
Common Equity	\$ 157,882,692		9.7%	43.84%	4.25%	Cost Per Authorized Case No. 2010-00036
	\$ 360,164,385					
Overall Weighted Cost of Capital					7.72%	

Kentucky American Water
 Case No. 2012-00155
 PSC DR2 2B

Comparison of Rate of Return Adjusted for AFUDC & Late Payment Revenue vs. Authorized, Using 2012 Operating Budget

1) Authorized Capital Structure Per Case 2010-00036

Page 60 for Weight, Page 71-72 for Costs

Description	Weight	Cost	Weighted Cost
Short Term Debt	2.577%	1.90%	0.05%
Long Term Debt	51.921%	6.38%	3.31%
Preferred Stock	1.647%	7.74%	0.13%
Common Equity	43.855%	9.70%	4.25%
Overall Authorized Rate of Return			7.74%

2) Calculate 2012 Budgeted Utility Operating Income, Adjusted for AFUDC and Projected Late Payment Revenue

Item	Amount	Notes
Utility Operating Income	\$ 25,006,925	As Calculated, Per Budgeted Income St:
Adjustment to Add AFUDC	\$ 757,301	Per Budgeted Income Statement
Adjustment to Add Projected Late Payment Fee Revenue	\$ 669,467	Per Exhibit 5, Case No. 2012-00155
Adjusted Utility Operating Income	\$ 26,433,693	

3) Calculate Adjusted Rates of Return on Rate Base and Capital Structure and Compare to Authorized Rate of Return

2012 Budgeted Adjusted Rate of Return on Rate Base	As Calculated	Vs Authorized	Variance
Adjusted Utility Operating Income	\$ 26,433,693		
Rate Base	\$ 375,433,649		
Adjusted Return on Rate Base	7.04%	7.74%	-0.70%
2012 Budgeted Adjusted Rate of Return on Capital Structure			
Adjusted Utility Operating Income	\$ 26,433,693		
Capital Structure	\$ 360,164,385		
Adjusted Return on Capital Structure	7.34%	7.74%	-0.40%

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00155
COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION

Witness: **Melissa Schwarzell**

Question:

3. Refer to Kentucky-American's Application, Exhibit 4, "Comparative Balance Sheet for the 12-Month Period ending December 31, 2011," and *Annual Report of Kentucky-American Water Company to the Public Service Commission for the Calendar Year Ended December 31, 2011* ("2011 Annual Report") at 9.
 - a. Explain why the amounts reported in Exhibit 4 for preferred stock and long-term debt and those reported in the *2011 Annual Report* differ by \$4,500,000.
 - b. Kentucky-American reports short-term bank debt of \$11,035,902 in Exhibit 4. Identify the account in the *2011 Annual Report* in which the short-term bank debt is recorded.
 - c. In Case No. 2010-00036, the Commission calculated Kentucky-American's net operating income for ratemaking purposes by applying overall cost of capital to net investment rate base. Explain why Kentucky-American based its absorption test solely on the authorized return on equity and not the overall return on net investment rate base.

Response:

- a. Exhibit 4 is the 2011 comparative balance sheet per J.D. Edwards, which maps \$4,500,000 of Preferred Stock to the Long Term Debt line. This is broken out properly as preferred stock, and not long term debt, in the 2011 Annual Report.
- b. The \$11,035,902 of Bank Debt in Exhibit 4 was among the accounts recorded in NARUC account 234 in the 2011 Annual Report.
- c. The test was initially done solely on equity in error. Please see Kentucky American's response to the Commission's Supplemental Request for Information Item 2B for a rate-of-return based absorption test.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00155
COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION

Witness: **Linda C. Bridwell**

Question:

4. Refer to Kentucky-American's Application, Exhibit 3.
- a. State whether Kentucky-American included the late fee costs identified in Exhibit 3 in its statements of forecasted operations that were filed in Case No. 2010-00036.
 - b. State whether, if Kentucky-American included late fee costs included in its statements of forecasted operations that were submitted in Case No. 2010-00036, a double-recovery of these expenses through nonrecurring fees and base water rates results if the late payment charge is approved.
 - c. If Kentucky-American included the late fee costs identified in Exhibit 3 in its statements of forecasted operations that were filed in Case No. 2010-00036, explain why deferring approval of the implementation of any late payment fee until Kentucky-American's next general rate case would be inappropriate or unlawful.

Response:

- a. Kentucky American's forecasted test period in Case No. 2010-00036 was from September 2010 - August 2011. While the *types* of costs indicated in Exhibit 3 would have been included in Case 2010-00036, the time period for the case and Exhibit 3 are different, with the exception of Working Capital, for which an authorized cost was used in order to avoid a lengthy calculation.
- b. A double recovery of late payment related costs is unlikely due to the variance between the late fee tariff period (August 2012-forward) and the test period for Case No. 2010-00036, which ended in August 2011.
- c. As indicated in the response to subpart a, while these types of costs were included in Case No. 2010-00036, the time period, and thus the costs, are different. Moreover, while it is the Commission's stated practice to permit a late payment fee of up to 10 percent with no specific justification,¹ Kentucky American has demonstrated that a

¹ Case No. 2006-00029, *In the Matter of: The Application of Pinewood Subdivision, Inc. d/b/a Pinewood Subdivision Sewer for an Adjustment of Rates for Sewer Service and Establishment of Certain Non-Recurring Charges* (February 23, 2006 Order at Staff Report, p. 2). The rates recommended in the Staff Report were adopted by the Commission in its March 14, 2006 Order.

late payment fee of 5 percent is reasonable at this time given the associated costs identified in Exhibit 3, which exceed the estimated revenue from a 5 percent fee.

In addition, the Commission has recognized that late penalties are not only designed to assign costs to cost causers, but are also “intended to provide an incentive for customers to pay their bills on time and are generally used throughout the utility industry,” and “[t]his charge recognizes the time value of money and other added costs. It is common practice for a water utility to designate a period during which a bill must be paid to avoid late payment charges.”² Thus, Kentucky American seeks to provide a customary incentive for prompt payment.

Deferring approval of the implementation of any late payment fee until Kentucky American’s next general rate case is inappropriate for four reasons. First, customers that are delinquent in paying their bills will continue to have no incentive to alter their behavior. Second, because several of the other utilities providing service to Kentucky American’s customers have recently implemented late fees, customers are financially incentivized to pay their water bills last, which exacerbates the lack of incentive for timely payment. Third, Kentucky American is asking the Commission to authorize a tariff it has authorized for dozens of other utilities and to offer our customers the same incentive for timely payment that over 90% of regulated water utilities in Kentucky possess. Finally, even if a rate case were filed tomorrow, which it will not be, the suspension period lengthens the prolonged period to a point that is unfair given that 807 KAR 5:011, Section 10 allows the implementation of nonrecurring charges up to two times between rate cases. Given that Kentucky American has not asked for approval of even one non-recurring charge between rate cases in recent memory, a delay of this nature would be inappropriate.

² *In the Matter of: Kentucky Dam Village State Resort Park, et al. v. North Marshall Water District* (Case No. 2006-00365) Order, July 31, 2007.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00155
COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION

Witness: **Linda C. Bridwell**

Question:

5. Kentucky-American has revised its initial late payment fee proposal to exempt from the operation of the proposed fee customers who receive a pledge for or notice of low-income water assistance from an authorized agency.
- a. Explain the process through which an authorized agency will make a pledge of assistance or provide a notice of assistance. State when, in relation to the issuance of a bill for water service and the due date for payment of such bill, the notice or pledge will be provided.
 - b. Describe the form of the pledge or notice that the authorized agency must provide.
 - c. Identify the agencies that are “authorized agencies.”
 - d. Describe the process through which an agency will become an “authorized agency” for purposes of the proposed late payment fee rule.
 - e. State whether the late payment fee will be assessed if the notice or pledge of assistance is given after the payment due date.
 - f. Explain why it is reasonable and lawful to classify the applicability of the proposed late fee based upon a customer’s eligibility for assistance from an authorized agency.

Response:

- a. Assistance agencies work with our Special Accounts department to review the balances, fees owed, and payment terms of customers who come to them for help. If the agency determines that they will pledge assistance, the agency will provide the Special Accounts department with a verbal account hold and follow up with an Assistance Pledge form.

In most cases, the notices and pledges are received after the bill due date and a disconnect notice has been sent.

- b. Kentucky American will accept an oral notification for an assistance pledge by the agency to be followed up within 48 hours with a written pledge. Typically the account is put on hold after oral notification and the pledge is followed up in writing.

- c. Currently, Kentucky American works with four agencies that routinely provide assistance to customers. These are the Community Action Council, Adult Tenant Services, Black Church Coalition, and Christian and Community Services.
- d. If a call is received for pledge assistance, Kentucky American verifies that the agency is a legitimate organization with either a tax identification number, a publicly listed telephone number and address, or through other means.
- e. Late fees will be posted to all accounts through the billing system. The late fee would be then adjusted from those customer bills for which an assistance pledge is received.
- f. The proposed waiver of applicability of the late fee based upon a customer's eligibility for assistance from an authorized agency is consistent with tariffs and waivers authorized for other regulated utilities in Kentucky.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00155
COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION**

Witness: **Melissa Schwarzell**

Question:

6. Refer to Kentucky-American's Response to Commission Staffs First Request for Information, Item 9. Describe how Kentucky-American determined that 2.5 clerks/customer advocates are devoted to late payments.

Response:

Kentucky American determined that the costs for 2.5 clerks/customer advocates were related to late payments through discussion with the local customer advocacy department. This department employs personnel who work directly with late paying customers.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00155
COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION

Witness: **Melissa Schwarzell**

Question:

7. Refer to Kentucky-American's Response to Commission Staffs First Request for Information, Item 13(d).
- a. State whether it is correct to interpret the response to Item 13(d) as meaning that in 2011 approximately 60,747 bills were not paid by the billing due date, but were paid within the eight-day grace period.
 - b. State the total costs that Kentucky-American incurred to collect these 60,747 bills.
 - c. State the total amount of these bills.

Response:

- a. The response to Item 13(d) indicated the number of 2011 bills which were not timely paid and for which no disconnection notice was issued. Interpreting the response of 60,747 to be the number of bills paid within the grace period is mostly, but not entirely, correct. While most of these 60,747 would be bills paid within the grace period, some could also indicate unpaid bills of certain critical customers, such as schools and hospitals, which are not mailed disconnect notices.
- b. Kentucky American does not track the costs to the level of detail to be able to delineate the total costs incurred to collect the 60,747 bills.
- c. Our current billing system is unable to summarize the revenue associated with bills paid late but not issued disconnect notices.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00155
COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION**

Witness: **Linda C. Bridwell**

Question:

8. Refer to Kentucky-American's Response to Commission Staffs First Request for information, Item 7. Provide a revised schedule that lists total bad-debt expense for each year from 2001 to 2011, and the actual bad-debt expense for each customer group for each year within that period.

Response:

Please see the attachment, which contains information from 2004-2011 regarding the actual bad debt expense for each customer group. Detailed information for 2001-2003 is not available.

Kentucky American Water Company
 Case No. 2012-00155
 PSC Supplemental DR 2-8

	2004	2005	2006	2007	2008	2009	2010	2011
Residential	343,229	367,415	359,237	381,333	319,645	397,102	385,314	415,478
Commercial	33,339	23,279	25,834	38,752	20,005	48,321	67,029	42,184
Industrial								
Other Public Authority					18	318		(32)
Private Fire	1,617	4,359	2,974	4,650	9,581	12,614	10,152	9,474
Miscellaneous	481	85	240	102	3,741	(27)	675	380
Total	378,667	395,137	388,285	424,835	352,990	458,328	463,170	467,484
Provisions for Doubtful Accounts	73,895	79,371	13,817	(37,894)	50,047	3,657	129,798	135,960
Miscellaneous Entries	(2,164)	2,850	3,709	(2,984)	(19,517)	64,297	(66,909)	(1,098)
Grand Total	450,398	477,358	405,811	383,958	383,520	526,282	526,059	602,346

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00155
COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION

Witness: **Linda C. Bridwell**

Question:

9. Refer to Kentucky-American's Response to Commission Staffs First Request for Information, Item 15.
- a. Describe how a Kentucky-American customer may pay his or her bill by credit card.
 - b. List each fee that a Kentucky-American customer incurs if he or she elects to pay his or her bill by credit card.

Response:

- A. Kentucky American accepts credit card, debit card and electronic check payments through a third-party vendor, ORCC. Kentucky American customers can use their credit card, debit card, or pay with electronic check by calling either ORCC toll-free at (866) 271-5522 or Kentucky American's toll-free customer service telephone number.
- B. There is a fee charged by the third-party vendor for credit card, debit card, electronic check payments. The fee is \$1.80 per transaction up to \$1,000.