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May 18, 2005

TO: PARTIES OF RECORD

- ✓ Case No. 2004-00450
- ✓ Case No. 2004-00451
- ✓ Case No. 2004-00497
- ✓ Case No. 2004-00499
- ✓ Case No. 2005-00010

Enclosed is an informal conference memorandum which is being filed in the record of the above-numbered cases. If you wish to make any comments regarding the contents of the memorandum, please do so within five days of receipt of this letter. If you have any questions regarding this matter, please contact Jeb Pinney at 502/564-3940, Extension 427.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

Enclosure

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INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case Files 2004-00450, 2004-00451, 2004-00497, 2004-00499,
2005-00010

FROM: J.E.B. Pinney, Staff Attorney

DATE: May 17, 2005

SUBJECT: Informal Conference

By Commission Staff's notice dated March 18, 2005, an informal conference was scheduled to be held at the Commission's offices on March 22, 2005. In attendance were representatives from the Louisville Gas and Electric Company ("LG&E"), Kentucky Utilities Company ("KU"), the Office of the Attorney General ("OAG") and Commission Staff. The list of the attendees at the conference is attached.

The purpose of the informal conference was to discuss issues related to the LG&E and KU tariffs which became effective on July 1, 2004. The tariff issues related to: landlord liability for unauthorized use of service or tampering charges; application of new customer deposit requirements; and the use of transferred past-due balances for disconnection.

The parties first discussed LG&E/KU's practice of holding property owners liable for tampering and theft of service when there is no active account where the alleged theft or tampering occurred.¹ LG&E/KU first mentioned that it was not transferring delinquent charges from a tenant to a landlord. They then explained that after a tenant requests a disconnection of service (which LG&E/KU must honor), the meter is locked, but still read monthly. LG&E/KU claimed the new tariff merely spells out who is responsible if the service is then illegally reconnected.

¹ The specific tariff provision in question states, in pertinent part, as follows:
Customers will be held responsible for tampering, interfering with, breaking of seals of meters, or other equipment of the Company installed on Customer's premises and will be held liable for same according to law.... *Upon absence of an active account, the property owner assumes responsibility for any consumption and the Company's property and service.* (emphasis added).

LG&E/KU discussed the various scenarios when a landlord would willingly and knowingly reconnect service illegally. They also raised safety concerns about the illegal connection of service.

LG&E/KU can have a “read and leave on” agreement with a landlord which stipulates that when a tenant requests that its service be disconnected, the account is, after a final reading, automatically transferred to the landlord without service to the address ever being physically disconnected. Commission Staff inquired why LG&E/KU did not require execution of this agreement as a condition of service to landlords— LG&E/KU commented that it seemed to be a good idea.

LG&E/KU stated that it had noted an increase in theft of service cases and the tariff provision was an attempt to mitigate the financial impact of the theft on the ratepayers. LG&E/KU discussed the high cost of forcing collections from the previous tenants and pursuing claims in court. It claimed that the tariff provision was a more efficient and cheaper way to accomplish this. LG&E/KU stated that by inserting the tariff provision, it significantly reduced its burden of proof in proving who was responsible for theft of service and/or tampering charges. The OAG inquired as to whether LG&E/KU had researched whether the tariff provision was legal. LG&E/KU replied that no research probably was done.

Commission Staff opined that the tariff provision seemed to cast a very wide net. The OAG suggested that the language of the tariff be “tweaked” to provide better notice to a landlord and to identify who is responsible for the charges. Commission Staff suggested a more fault-based provision, or a requirement that a preponderance of evidence be required before holding a landlord liable for theft of service or tampering charges.

The parties next discussed LG&E/KU’s revised deposit requirements.² LG&E/KU stated that when an existing customer is disconnected for non-payment and then reconnected, the customer is treated as a new customer for purposes of deposit requirements. The new deposit requirement applies only after an existing customer is disconnected, not when an existing customer incurs late payment charges.

LG&E/KU requires 36 continuous months of no delinquent payments or late notices in order to establish “satisfactory payment history.” LG&E/KU also assured the parties that it was not using pre-July 1, 2004 data to determine if a customer needs an increased deposit.

² Louisville Gas and Electric Company Tariff, PSC No. 6, Original Sheet Nos. 87 and 87.1

Regarding the transferring of bills, LG&E/KU proposed that it would initiate disconnection procedures "in accordance with 807 KAR 5:006, Section 14(1)(f).³ The OAG and Commission Staff agreed that such additional language would address their concerns regarding that tariff provision.

The parties summarized the issues and the conference then adjourned.

³ The tariff language at issue states, in pertinent part, that:

Unpaid balances of previously rendered Final Bills may be transferred to any account for which the customer has responsibility and may be included on initial or subsequent bills for the account to which the transfer was made. Such transferred Final Bills, if unpaid, will be part of the past due balance of the account to which they are transferred and will be subject to the Company's collection and disconnection procedure.... The Company shall have the right to transfer Final Bills between residential and commercial with residential characteristics (e.g., service supplying common use facilities of any apartment building) revenue classifications.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOHN YUEN)
)
) COMPLAINANT)
)
 v.) CASE NO. 2004-00450)
)
 LOUISVILLE GAS AND ELECTRIC COMPANY)
)
) DEFENDANT)

ROBERT T. GALLAGHER)
)
) COMPLAINANT)
)
 v.) CASE NO. 2004-00451)
)
 KENTUCKY UTILITIES COMPANY)
)
) DEFENDANT)

CURTIS E. WHITE)
)
) COMPLAINANT)
)
 v.) CASE NO. 2004-00497)
)
 LOUISVILLE GAS AND ELECTRIC COMPANY)
)
) DEFENDANT)

ADA MAE CLEM)
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) COMPLAINANT)
)
 v.) CASE NO. 2004-00499)
)
 KENTUCKY UTILITIES COMPANY)
)
) DEFENDANT)

REGINA ANN MORRIS

COMPLAINANT

v.

LOUISVILLE GAS AND ELECTRIC COMPANY

DEFENDANT

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CASE NO. 2005-00010

INFORMAL CONFERENCE SIGN IN SHEET MARCH 22, 2004

NAME	PARTY
J.E.B. Pinney	PSC, Off. of Gen'l Counsel
Aaron Greenwell	PSC, Financial Analysis
Gerald Whetcher	PSC Staff
Dennis Howard	AG
Ginny Smith	PSC Staff
Bretz Cockrell	LG&E
Mike Cooper	"
KENT BLAKE	"
Beth Cronougher	"
MARTY BEINERT	"
Candice Edwards	PSC staff
Dawn McGee	PSC - Financial Analysis
Richard Koff	PSC - Legal
Tom Blakely	PSC - STAFF
Daryl Newby	// Case No. 2004-00450 Case No. 2004-00451 Case No. 2004-00497 Case No. 2004-00499 Case No. 2005-00010

JASON BENTLEY

PSC STAFF

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Case No. 2004-00499
Case No. 2005-00010