

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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

Pursuant to 807 KAR 5:001, Kentucky-American Water Company ("Kentucky-American") shall file with the Commission no later than May 25, 2012 the original and five copies of the following information, with a copy to all parties of record. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry. Kentucky-American shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky-American fails or refuses to furnish all or part of the

requested information, Kentucky-American shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Provide all studies, reports, and analyses that Kentucky-American prepared or commissioned to determine the amount of annual revenue that the proposed late payment fee will produce.

2. Provide all studies, reports, and analyses that Kentucky-American prepared or commissioned to determine the proposed late payment fee's effect on Kentucky-American's earnings in the first year that the proposed late fee is assessed.

3. Provide all studies, reports, and analyses that Kentucky-American prepared or commissioned to determine the proposed late payment fee's effect on Kentucky-American's return on equity in the first annual period that the proposed late fee is assessed.

4. State when Kentucky-American presently expects to submit its next application to the Commission for a general rate adjustment.

5. Explain why Kentucky-American did not defer requesting the proposed late payment fee until its next general rate adjustment proceeding.

6. Describe the effect that the proposed late payment fee will have on Kentucky-American's earnings.

7. Provide a schedule that shows, for each year from 2001 to 2011, Kentucky-American's bad debt expense, total sales in dollars to the customer groups upon which bad debt expense was accrued, and bad debt expense as a percentage of those sales.

8. State the effects that Kentucky-American expects the proposed late payment fee to have on its bad debt expense. To the extent possible, the response should quantify these effects and include all reports or studies used to assess the effects of the late payment fee and show all calculations used and state all assumptions made to derive the response.

9. Refer to Kentucky-American's Application, Exhibit 3, Line 4. Describe how Kentucky-American determined "Kentucky-American Customer Advocates" cost to be \$143,115. Provide all workpapers, state all assumptions, and show all calculations used to derive this amount.

10. Refer to Kentucky-American's Application, Exhibit 3, Line 10.

a. Explain why uncollected revenue should be considered as a cost of a customer's failure to make timely payment of his or her bill.

b. Explain why the recovery of "uncollected revenue" is not better recovered through general rates than through a fee assessed to customers who pay their bills late.

11. At Exhibit 3 of its Application, Kentucky-American states that the annual cost of late payments is \$1,224,892. At Exhibit 5 of its Application, Kentucky-American states that the proposed late payment fee will produce annual revenues of \$669,468.

Explain why Kentucky-American is not proposing a fee that will generate revenues sufficient to recover the purported total cost of late payments.

12. Describe the actions that Kentucky-American takes when a customer has failed to pay his or her bill by the due date.

13. a. State the total number of bills that Kentucky-American issued in calendar year 2011.

b. State the number of bills Kentucky-American issued in calendar year 2011 that were not paid by the required due date.

c. State the number of disconnection notices that Kentucky-American issued in calendar year 2011 for a customer's failure to pay his or her bill.

d. State the number of bills that were not timely paid in calendar year 2011 and that no disconnection notice was issued.

14. a. State whether Kentucky-American considered waiving the proposed late payment fee in those instances where the customer was receiving assistance in paying his or her bill from a public agency.

b. Explain why, if Kentucky-American considered such waiver, it chose not to include any provision for such waiver in its late payment fee proposal.

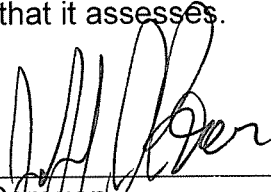
c. Explain why, if Kentucky-American did not consider such waiver, the Commission should not exempt such circumstances from the proposed late payment fee's coverage.

15. State the number of bill payments by credit card that Kentucky-American received in calendar year 2011.

16. State the number of customers who currently have authorized Kentucky-American to make automatic monthly withdrawals from their bank accounts for their bills.

17. State the effect, if any, that Kentucky-American expects the proposed late payment fee will have on the number of customers who pay by credit card or electronic fund transfer.

18. List each American Water Works Company that provides water service and state the amount of the late payment fee, if any, that it assesses.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
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DATED: MAY 11 2012

cc: Parties of Record

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