

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)

O R D E R

On September 14, 2007, Louisville Gas and Electric Company (“LG&E”) filed its application for approval to revise the “Billing” section¹ of its gas and electric tariffs. LG&E proposes to reduce the time period for bill payment from 15 days to 10 days from the date the bill is rendered. The Attorney General of the Commonwealth of Kentucky, by and through his office of Rate Intervention (“AG”), was granted intervention in this proceeding. Commission Staff issued a data request on September 26, 2007 and informal conferences were held on October 9 and October 15, 2007.

The parties agreed to submit this case for a decision based upon written comments in lieu of a hearing. The AG filed comments on November 15, 2007 and LG&E filed responsive comments on December 4, 2007.

At the October 9, 2007 informal conference, Commission Staff requested that LG&E provide notice to customers of the proposed change. LG&E notified customers via customer bills from October 18, 2007 through November 15, 2007. As a result of

¹ The Billing Section is included under “Terms and Conditions” in each tariff.

this notice, the Commission has received seven protest letters, sixty-one protest calls, and written comments from AARP² in opposition to LG&E's proposed revision.

LG&E's application states that it is proposing to change its collection cycle for two reasons. First, LG&E desires to align its billing process with that of its sister utility, Kentucky Utilities Company ("KU"). Second, the change would help to avoid confusion for delinquent customers who receive a termination notice and then receive another monthly bill.

LG&E customers currently have 15-days from the date the bill is rendered to make payment. If payment is not received within the 15-day period, a 5 percent late payment penalty is applied to the current monthly bill but not to any past due amounts. KU customers have 10 days from the date their bills are rendered to make payment and there is no penalty imposed for late payments. LG&E states that it is in the process of designing a new customer care system ("CCS") which is expected to be implemented during the first quarter of 2009. According to testimony filed by Sidney L. "Butch" Cockerill, LG&E's Director of Revenue Collection, significant efforts have been made to synchronize processes and policies of LG&E and KU since the merger of LG&E Energy Corp. and KU Energy Corporation in 1998. Mr. Cockerill states that certain efforts in this regard have been delayed due to the fact that LG&E and KU use different customer information systems. When completed, both utilities would use the new CCS. LG&E is requesting that the proposed tariff be effective with the implementation of the new system in 2009. LG&E states that it intends to provide another customer notice prior to the implementation of the change in 2009.

² AARP identifies itself as a nonprofit, nonpartisan membership organization "dedicated to making life better for people 50 and older."

As stated previously, LG&E believes that the proposed change to its collection policy would result in less confusion for customers. Mr. Cockerill states that the proposed change will allow LG&E to complete the collection process, including the issuance of written notice to terminate service, before the next scheduled billing date. This written notice to terminate service is referred to as a “brown bill.” Under LG&E’s existing collection cycle, the customer’s next bill is issued prior to the final pay date of the brown bill. As a result, Mr. Cockerill states that confusion arises because the customer would have two different documents, each showing a different amount and due date.

In response to a data request, LG&E stated that it considers timeliness of customer payments when determining whether to issue a brown bill and when evaluating customer deposit refunds for residential customers. Therefore, under LG&E’s proposal, customers would have to pay their bills by the 10th day after issuance in order to maintain a favorable payment history.

In his comments, the AG acknowledged and agreed that synchronization of LG&E’s and KU’s customer information systems was a desirable goal but he identified two areas of concern. First, the AG noted that although LG&E is requesting parity with KU with regard to the collection cycle, LG&E proposes to retain a late payment penalty which KU does not assess. The AG believes that some customer confusion will remain because of this difference and he requests that the Commission require LG&E to

eliminate its late payment penalty. Second, in Case Nos. 2007-00337³ and 2007-00338,⁴ LG&E and KU submitted home energy assistance (“HEA”) program applications. The AG states that, in those cases, he noted that the two HEA programs were administered by two separate community action organizations. Although the AG recommended in those cases that the programs be combined for economies of operation, LG&E and KU objected because the costs of unifying the programs would be prohibitively significant given that each community action organization’s software was designed to work within the constraints of the existing CCS for each utility. Since LG&E and KU are planning a single software for both utilities, the AG believes that a combination of the HEA programs is now possible and recommends that the Commission review its Orders in Case Nos. 2007-00337 and 2007-00338 to determine if a revision should be made to require the combination of LG&E’s and KU’s HEA programs.

As previously mentioned, the Commission received numerous protest letters and calls opposing LG&E’s proposal. A concern for some was that payments made to LG&E via the U.S. Postal Service must now be sent to Atlanta, Georgia for processing. Previously, such payments were sent to a Louisville, Kentucky address. There is a concern that, under LG&E’s proposal, not only would there be 5 fewer days for

³ Case No. 2007-00337, Joint Application of Louisville Gas and Electric Company, Association of Community Ministries, Inc., People Organized and Working for Energy Reform, and Kentucky Association for Community Action, Inc. for the Establishment of a Home Energy Assistance Program.

⁴ Case No. 2007-00338, Joint Application of Kentucky Utilities Company, Kentucky Association of Community Action, Inc., and Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. for the Establishment of a Home Energy Assistance Program.

customers to pay their bills, the mailing time for payments would be extended because of travel to Atlanta for posting to customer accounts.

AARP filed a list of concerns over LG&E's proposal and recommended that the proposed change be denied. AARP stated that home energy costs make up a large portion of household budgets, especially those living on low and fixed incomes, and LG&E's proposal would be a hardship for those customers. One concern relates to the date that a late payment penalty would apply. It is not clear to AARP that LG&E does not propose to change the implementation date of the late payment penalty and AARP recommends that the Commission consider eliminating this penalty. A second concern is the amount of time it will take for payments to travel to Atlanta. To alleviate this concern, AARP recommends that LG&E use the postmark date as the date of payment.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that LG&E has not carried its burden to demonstrate that reducing the time for paying bills to 10 days is reasonable given that payments made via the U.S. Postal Service now travel to Atlanta to be processed. In making its proposal, LG&E should have taken into consideration the additional time required for customer payments traveling to Atlanta. In addition, the Commission believes that, rather than implementing a CCS which continues to allow for differences between the two companies, LG&E and KU should have filed a plan for a fully unified system. Although the Commission supports LG&E's efforts to synchronize its processes with KU's to achieve economies of operation, the Commission finds that LG&E's proposal does not result in a fully unified CCS, is not reasonable, and should be denied. Given

the Commission's denial of LG&E's proposal, the AG's concerns and recommendations are moot.

IT IS THEREFORE ORDERED that:

1. LG&E's request to revise its tariffs to reduce the payment due date from 15 days to 10 days from the date bills are rendered is denied.
2. Within 90 days of the date of this Order, LG&E and KU shall file a new plan for a fully unified CCS.

Done at Frankfort, Kentucky, this 18th day of December, 2007.

By the Commission

Commissioner Clark Abstains

ATTEST:



Executive Director