

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:)	
)	
THE APPLICATION OF KENTUCKY-AMERICAN)	CASE NO. 2010-00036
WATER COMPANY FOR AN ADJUSTMENT OF)	
RATES ON AND AFTER MARCH 28, 2010)	

ORDERING PARAGRAPH 10 REPORT

In accordance with Ordering Paragraph 10 of the Commission’s December 14, 2010 Order in this matter, Kentucky-American Water Company (“KAW”) has developed a plan to track: (1) the number of customers making payments after the due date (including the applicable eight-day grace period); (2) the frequency of late payments by each customer; (3) the number of service terminations for non-payment for each customer account; and (4) the specific services that are not paid when water service is terminated for non-payment.

For a *de minimus* cost of approximately \$1,400 for software reprogramming, KAW will be able to track the requested information by using its service disconnect notices. To explain, when a customer has not paid his/her bill within the eight-day grace period allowed after the due date shown on the bill, a service disconnect notice is issued. The software reprogramming will allow KAW to use that existing service disconnect notice information to determine the number of service disconnect notices that are issued. Thus, the number of payments made after the due date (including the grace period) will be known. The reprogramming will also enable KAW to track the number of times in any given time period that a particular customer’s payment is made after the grace period has expired. Further, it will allow KAW to track the number of times in any given time period that a particular customer’s water service is terminated for non-payment

by utilizing information already in the KAW system for completed service disconnects.

The combination of software reprogramming and use of existing service disconnect information (which is generated at the expiration of the grace period) allows KAW to meet the requirements of Ordering Paragraph 10 in a cost effective manner resulting in significant benefits to customers while avoiding significant costs. On the other hand, if KAW must revamp its relevant software to track payments that are received after the due date but before a service disconnect notice is issued (the difference being the exclusion of the grace period), KAW estimates the cost would be within a range of \$60,150 to \$150,000. Given the extreme cost differential and the lack of a meaningful difference in the resulting information, KAW recommends and requests that it be allowed to implement the \$1,400 plan described above. KAW has conferred with representatives of Community Action Council on this issue and they have indicated their satisfaction with the \$1,400 plan.

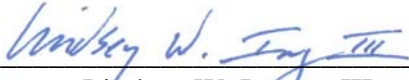
Finally, the issue of services that are not paid when water service is terminated has already been resolved by virtue of KAW's compliance with Ordering Paragraph 14 of the Commission's December 14, 2010 Order. In accordance with that paragraph, within several days of the issuance of the Order, KAW modified the priority in which it applies payments received from customers. Now, when a payment is received, the entire balance owed for water service is paid until satisfied in full. After that, any remaining portion of the payment is used to satisfy the entire balance owed for sewer service. Then, any remaining portion of the payment is used to satisfy the balances owed for the water quality fees and landfill fees (in that order) imposed by the Lexington-Fayette Urban County Government. In accordance with Ordering Paragraph 14, the failure to pay for water and/or sewer service will result in water service

termination. The failure to pay water quality fees and landfill fees will not result in such termination.

Respectfully submitted,

STOLL KEENON OGDEN PLLC

300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3000
L.Ingram@skofirm.com

BY:  _____
Lindsey W. Ingram III
Attorneys for Kentucky-American Water Company

CERTIFICATE

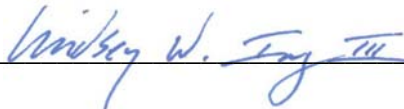
In accordance with Ordering Paragraph No. 6 of the Commission's February 16, 2010 Order, this is to certify that Kentucky-American Water Company's February 12, 2011 electronic filing is a true and accurate copy of the documents to be filed in paper medium; that the electronic filing has been transmitted to the Commission on February 12, 2011; that an original and one copy of the filing will be delivered to the Commission on February 14, 2011; and, that, on February 12, 2011, electronic mail notification of the electronic filing will be provided to the Commission and the following:

David Edward Spenard
Office of the Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601
david.spenard@ag.ky.gov
dennis.howard@ag.ky.gov
heather.kash@ag.ky.gov

Iris G. Skidmore
Bates and Skidmore
415 West Main Street, Suite 2
Frankfort, Kentucky 40601
batesandskidmore@gmail.com

David J. Barberie
Leslye M. Bowman
LFUCG Department of Law
200 East Main Street
Lexington, Kentucky 40507
dbarberi@lfucg.com
lbowman@lfucg.com

STOLL KEENON OGDEN PLLC

By 

Attorneys for Kentucky-American Water Company