



**Status Report  
Implementation of Monthly Billing  
June 30, 2011**

**As Required by January 7, 2011 Order In  
Case 2010-00094**

## Overview

As required by the order issued on January 7, 2011 in Case 2010-00094, Northern Kentucky Water District is to file a report with the Kentucky Public Service Commission beginning March 31, 2011 and every quarter thereafter on the status of efforts to implement monthly billing for its residential customers. This is the quarter ending June 30, 2011 report and describes the analysis that NKWD is currently engaged in to analyze the requirements to implement monthly billing for our retail customers.

## Costs

The District has compiled incremental O&M costs that would be incurred in order to produce bills monthly, read the meters, provide for additional staff, process additional credit card and lockbox transactions, postage for mailing additional bills and notices, and some additional costs for miscellaneous items. The costs are described in Exhibit A and are projected over a ten year period with projected interest income received through receiving our cash earlier netted against expenses. The costs that have been determined will ultimately have an effect on rates through the O&M contribution to our revenue requirement. Some assumptions were made in estimating these costs: (1) Add 3 Customer Service Representatives with benefits to process calls, bills etc., (2) 1 meter reader with benefits and a vehicle, (3) credit card processing increases by 2% annually, (4) postage increases by .02 per year, (5) bill processing increases by 3% every three years, and (6) lockbox fees increase by 2% every three years. The District is currently staffed at very modest levels so the increased work load of going to monthly billing creates significant incremental expense. If the District had excess capacity in its current workforce fewer people would have to be added in order to produce the larger number of bills. Looking at Exhibit A, it is obvious that the cost impact is very significant and would have a major impact on the O&M expense level that would result in higher rates.

## Customer Opinion

The customer base is ultimately our “bosses” and we value their preferences and opinions on how we deliver service. We put the monthly versus quarterly billing issue out to the customers for their feedback. The District put a survey on our web site, have opinion forms in our lobby for walk up customers, posted a message on our bills for participation on line or by phone, and have encouraged customers to participate during regular phone interaction. The survey asks the question **Would you prefer to be billed for your water consumption on a monthly or quarterly basis? (Monthly billing requires additional costs)**. Of 1,048 respondents, 73.8% prefer quarterly billing while 26.2% preferred monthly. It is very clear that the majority of our customers prefer getting a quarterly bill and avoiding the additional cost. Many customers have also indicated that they do not like being billed on a monthly basis by Sanitation District No. 1 and are emphatic that we should not go there.

## Summary

The District feels that we can address customer needs with the use of the technology we have in place without necessarily going to monthly billing. When assessing the increase in Operation and Maintenance expenses and the negative impact on rates, it is evident that in these economic times it is not feasible to implement the monthly option and increase our costs and ultimately our rates. We should also follow the desires of our customer base as indicated through the sample of respondents who clearly wish to remain on quarterly billing when understanding the cost impact on our operation. The District is always looking for opportunities to be more cost efficient while at the same time providing a high level of service to our customers. The combination of quarterly billing with the utilization of the technological benefits of the Badger Orion system lets us keep our costs down while providing fair treatment of our rate payers.

The District will provide further reports if any changes occur that would have significant impact on the analysis of this issue or if the PSC Staff requires any additional information. Our analysis at this time clearly indicates our customer base will be better served by avoiding the costs of going to monthly billing and remaining on a quarterly basis



**Summary**  
**Monthly Billing Incremental Costs & Income**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Additional Staff Sum of Costs	\$190,000	\$195,700	\$201,571	\$207,618	\$213,847	\$220,262	\$226,870	\$233,676	\$240,686	\$247,907	<b>\$2,178,137</b>
Credit Card Processing Sum of Costs	\$200,000	\$201,000	\$202,005	\$207,075	\$208,111	\$209,151	\$214,401	\$215,473	\$216,550	\$221,986	<b>\$2,095,752</b>
Postage Sum of Costs	\$292,400	\$293,862	\$309,068	\$310,613	\$326,040	\$327,670	\$343,322	\$345,038	\$360,917	\$362,722	<b>\$3,271,652</b>
Bill Prep Sum of Costs	\$105,600	\$106,128	\$106,659	\$110,408	\$110,960	\$111,515	\$115,434	\$116,011	\$116,591	\$120,690	<b>\$1,119,995</b>
Lockbox Sum of Costs	\$109,440	\$109,440	\$109,440	\$111,629	\$111,629	\$111,629	\$113,861	\$113,861	\$113,861	\$116,139	<b>\$1,120,929</b>
Misc. Sum of Costs	\$17,000	\$17,510	\$18,035	\$18,576	\$19,134	\$19,708	\$20,299	\$20,908	\$21,535	\$22,181	<b>\$194,886</b>
<b>Total Sum of Incremental Costs</b>	<b>\$914,440</b>	<b>\$923,640</b>	<b>\$946,778</b>	<b>\$965,919</b>	<b>\$989,720</b>	<b>\$999,935</b>	<b>\$1,034,187</b>	<b>\$1,044,968</b>	<b>\$1,070,142</b>	<b>\$1,091,624</b>	<b>\$9,981,352</b>
Incremental Earnings Interest	(\$37,204)	(\$37,204)	(\$37,204)	(\$37,204)	(\$37,204)	(\$37,204)	(\$37,204)	(\$37,204)	(\$37,204)	(\$37,204)	(\$372,043)
Expense in Excess of Income	\$877,236	\$886,436	\$909,573	\$928,715	\$952,515	\$962,730	\$996,983	\$1,007,764	\$1,032,938	\$1,054,420	<b>\$9,609,309</b>

Exhibit A

# Survey Qtrly. Vs. Monthly (Cost Considered) 1,048 Respondents

