

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

**IN THE MATTER OF:** )  
 )  
**ELECTRONIC EMERGENCY DOCKET** ) **CASE NO. 2020-00085**  
**RELATED TO THE NOVEL CORONAVIRUS** )  
**COVID-19** )

**KENTUCKY-AMERICAN WATER COMPANY’S  
MOTION FOR CLARIFICATION AND APPROVAL OF ARREARAGES PLAN**

Kentucky-American Water Company (“KAW”) respectfully requests clarification of the Kentucky Public Service Commission’s (“Commission”) September 21, 2020 and September 30, 2020 Orders in this matter and approval of KAW’s plan for implementing the directives in those Orders. The Commission’s September 21, 2020 Order set forth various directives on how utilities may establish payment plans for customer arrearages, how utilities should contact customers about payment plans, what arrearage time periods can be used, and how disconnects should be handled. In response to Duke Energy Kentucky, Inc.’s (“Duke Kentucky”) Petition for Clarification and Deviation, the Commission issued its September 30, 2020 Order which supplemented the directives of the September 21, 2020 Order. On a collective basis, KAW understands that those Orders establish the following:

1. Utilities shall create a default payment plan for residential customers with arrearages for service rendered from March 16, 2020 to October 1, 2020, and, for residential customers with arrearages existing prior to March 16, 2020, such arrearages can be included in the payment plan as long as the term of the payment

plan is extended by the same number of months for which the pre-March 16, 2020 arrearage existed;

2. Utilities shall make all reasonable efforts to notify residential customers of the default payment plan and if an alternate plan is requested, utilities should work with customers on such alternate plans;
3. Late fees shall not be imposed on residential customers until after December 31, 2020, but utilities should continue to track revenue lost as a result of the moratorium on charging late fees;
4. Utilities may use the October 2020 billing cycle to determine the amount of arrearages, but such use means that the minimum default payment plan must be for a term of at least seven months;
5. Utilities may recover carrying charges via payment plans on arrearages between March 16, 2020 and October 1, 2020 and on arrearages before and after that period as long as late fees that would have been owed for that period have not been assessed; and
6. Utilities are not required to enroll residential customers in payment plans for an arrearage of \$25 or less as long as the customer will not be disconnected for that arrearage and will be enrolled in the default payment plan upon request.

KAW has 10,283 residential customers whose arrearages amount for the period March 16, 2020 to October 1, 2020 is greater than \$25. In total, KAW estimates total residential arrearages

for that period to be \$1,347,000.<sup>1</sup> KAW estimates that of those 10,283 residential customers, 2,277 also had arrearages pre-March 16, 2020 that total \$487,756.<sup>1</sup>

KAW has carefully studied the Commission's Orders and has investigated whether it can comply with both the spirit and letter of the Orders and has determined it can except as noted below. Handling this issue will require modifications to KAW's billing and customer communication protocols. And many of those modifications will have to be implemented manually rather than automatically. KAW will use its best efforts to implement the Commission's Order efficiently and accurately. So, out of an abundance of caution and because the number of customers affected and the total arrearages amount is significant, KAW wants to be absolutely certain that the Commission is aware of and approves the detailed components of KAW's plan for handling arrearages and disconnects. Therefore, KAW seeks the Commission's approval of the plan set forth below.

First, KAW plans to offer its default payment plan to all residential customers whose arrearage amount for the period March 16, 2020 to November 1, 2020 (meaning use of the October billing cycle) is greater than \$25. The default payment plan will be for seven months with equal payments being due each month. To the extent an individual customer has pre-March 16, 2020 arrearages, those arrearages will be included as part of the total to be paid in equal installments and the seven-month period will be extended by the same number of months the pre-March 16, 2020 arrearage existed.

Second, to the extent a customer was on a payment plan prior to March 16, 2020, amounts owed under that plan will be included in the default payment plan. KAW will roll that payment

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<sup>1</sup> KAW appreciates the Commission's recognition in its September 21, 2020 Order that issues regarding deferral accounting will be addressed "in due time" (September 21, 2020 Order, p. 17) and KAW looks forward to doing so in Case No. 2020-00257 in which KAW sought the Commission's approval for deferral accounting.

plan into a single payment plan just like Duke Kentucky. KAW's billing software system will only accommodate one payment plan per customer at a time, and, even at that, the software will have to be modified to allow the combination of pre-March 16, 2020 plans with post-March 16, 2020 plans. KAW expects that software engineering to cost approximately \$20,000.

Third, KAW will take multiple steps to notify customers they are being put on the default payment plan and that they have the option of a plan longer than seven months (or more if applicable). To discuss that option, they will need to contact KAW's customer call center. To accomplish notice to customers, beginning on or about November 2, 2020 KAW will: (1) send an independent direct mailing to each affected customer; (2) send an independent e-mail to each affected customer to the extent KAW has a current e-mail address for that customer; (3) include bill messaging on the bill itself to each affected customer; (4) include information on bills describing the terms of the payment plan being implemented including the amount owed; (5) post information about the payment plan process on KAW's website; and (6) make liberal use of KAW's social media presence on Twitter and Facebook in providing notice.<sup>2</sup>

KAW believes this communications plan, which is expected to cost approximately \$10,000 - \$15,000, goes above and beyond "all reasonable efforts" to communicate with affected customers about the implementation of a payment plan as described in the Commission's September 21, 2020 Order.<sup>3</sup> However, that Order also contemplates a return communication from the customer of the acceptance or acknowledgement of the payment plan in writing, electronically, or by a phone call from the utility to each customer (if there are safety concerns).<sup>4</sup> Given the extraordinary level of

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<sup>2</sup> These efforts are consistent with steps typically taken by a utility in obtaining approval from the Commission for an abbreviated form of notice of a rate case under 807 KAR 5:001, Section 16(2)(b). See, e.g., the Commission's June 9, 2020 Order in Case No. 2020-00174 which is Kentucky Power Company's pending general rate case.

<sup>3</sup> See September 21, 2020 Order, p. 7.

<sup>4</sup> See September 21, 2020 Order, p. 9.

communication KAW will make to affected customers, an independent return writing, e-mail, or phone call expressing acknowledgment from a customer would seem to be unnecessary.

It is impractical for KAW to separately and independently track what could be as many as 10,283 separate acknowledgements regardless of whether they are on hard paper, electronic, or by phone in what will be a compressed time period. And regardless of that impracticality, in light of COVID concerns, KAW is reluctant to initiate a return communication process that could lead to the physical handling of thousands upon thousands of documents. Finally, and most importantly, it is a certainty that a vast number of customers will not communicate back to KAW and KAW will not be able to reach them by phone. What, then, will KAW do to treat that significant number of customers fairly?

Instead, because it is fair to assume that KAW's extensive communication plan will reach affected customers, it is also fair to assume that if a customer makes the first payment on the offered payment plan, that payment is an effective acceptance and acknowledgement of the payment plan. This will also avoid the tremendous problem that will be created if a customer refuses or chooses not to communicate with KAW. Thus, KAW seeks explicit approval from the Commission that KAW may consider payment of the first payment under a payment plan as customer acceptance and acknowledgement.

Finally, as for carrying charges on arrearages owed prior to March 16, 2020, KAW understands the Commission's September 30, 2020 Order to mean those carrying charges can be part of the total included in a payment plan as long as late fees were not assessed for that period. From a mechanics standpoint, it would require individual or "one off" effort to each individual's total arrearage amount to ascertain whether any late fees are included and to then subtract those late fees before applying carrying charges. So KAW plans to apply carrying charges to the total

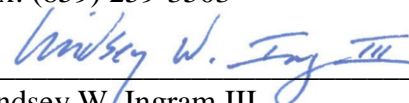
arrearage amount, but that amount will only include late fees to the extent they remained unpaid and uncollected as of March 16, 2020. Although this approach would mean recovery of late fees and carrying charges for pre-March 16, 2020 amounts, those late fees existed before the Commission's moratorium and has nothing to do with the economic hardships COVID-19 has caused. Plus, recovery of late fees and carrying costs pre-March 16, 2020 is consistent with the Commission's existing directive for utilities to track lost revenues (presumably for possible later cost recovery) resulting from the moratorium on late fees post-March 16, 2020 *in addition to* approval to collect carrying costs for post-March 16, 2020 amounts. Thus, KAW seeks explicit approval from the Commission that KAW may include late fees and carrying charges for arrearages pre-March 16, 2020 and consider payment of the first payment under a payment plan as customer acceptance and acknowledgement.

WHEREFORE, KAW seeks clarification from the Commission that KAW's plan as described above comports with the letter and spirit of the Commission's Orders in this case and is approved for implementation.

Date: October 16, 2020

Respectfully submitted,  
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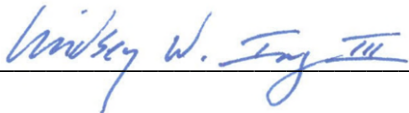
By:

  
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Lindsey W. Ingram III

**CERTIFICATE**

This certifies that Kentucky-American Water Company's 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 October 16, 2020; that a paper copy of the filing will be delivered to the Commission in accordance with the Commission's March 16, 2020 Order in Case No. 2020-00085; and that no party has been excused from participation by electronic means.

STOLL KEENON OGDEN PLLC

By: 

Attorneys for Kentucky-American Water Company