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**RECEIVED**

**AUG 25 2009**

**PUBLIC SERVICE  
COMMISSION**

August 24, 2009

Docket Clerk  
Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

Dear Docket Clerk:

Please find enclosed for docketing the original and ten (10) copies of AARP's Response to First Set of Data Requests From Commission Staff. All parties of record have been served.

Thanks very much.


Cordially,

A handwritten signature in black ink, appearing to read "Tom FitzGerald", with a long horizontal flourish extending to the right.

Tom FitzGerald  
Counsel for AARP

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the AARP's Response to Data Requests of Commission Staff, was served upon all parties of record by Priority U. S. mail this 24<sup>th</sup> day of August, 2009.



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AUG 25 2009  
PUBLIC SERVICE  
COMMISSION

PSC Case No. 2009-00141  
Staff Set 1 DR No. 001  
Respondent: Nancy Brockway

**AARP RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF**

Data Request 001:

Refer to pages 8-11 of the Direct Testimony of Nancy Brockway (“Brockway Testimony”). Is AARP recommending that the Commission deny Columbia’s proposed Demand-Side Management program? Explain the response.

Response:

Ms. Brockway is not making any specific recommendations concerning Columbia’s proposed Demand-Side Management program. Rather, Ms. Brockway is saying that if and to the extent the proposed suite of programs and associated budgets constitute Columbia’s DSM efforts, very few savings will be harvested, and very few margins will be lost.



**AARP RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF**

Data Request 002:

Refer to page 11 of the Brockway Testimony. Considering the proportion of the customer bill that is attributable to gas costs, which would continue to be charged volumetrically under Columbia's proposal, explain why customers would not recognize the incentive to use less natural gas if a Straight-Fixed Variable rate design were employed.

Response:

It is not clear what the question means by "recognize the incentive." There is not "one" incentive. The move to SFV pricing of base costs will lower the overall incentive considerably. The incentive to conserve now presented to customers will be eroded. The overall incentive does not have to go to zero for such erosion to take place and lower efficiency actions by customers.



**AARP RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF**

Data Request 003

Refer to pages 18-19 of the Brockway Testimony. Ms. Brockway appears to advocate that the costs to reconnect customers be included in base rates rather than in a separate charge. Is the AARP not aware that 807 KAR 5:006, Section 8, allows a utility to “make special nonrecurring charges to recover customer-specific costs incurred which would otherwise result in monetary loss to the utility or increased rates to other customers to whom no benefits accrue from the service provided or action taken?”

Response:

Ms. Brockway is aware of the cited rule. First, the fact that a utility is allowed to take an action does not make that action the best one in a given situation. More importantly, there are benefits to other customers and the utility from keeping the reconnection charge low or eliminating it.

These benefits are discussed in Ms. Brockway’s testimony.





**AARP RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF**

Data Request 004

Refer to pages 19 and 20 of the Brockway Testimony. Ms. Brockway states that “a 5% per month fee is well in excess of the amount that would be needed to cover the working capital associated with late payments.”

a. Is Ms. Brockway familiar with the level of late payment penalties approved for other utilities in Kentucky and for utilities in other states? If so, how does Columbia’s proposed five percent penalty compare to those approved for others?

b. Explain whether Ms. Brockway is familiar the Commission’s decisions in Case Nos. 1990-00041 and 1990-00158 in which it upheld the existing five percent late payment penalties of The Union Light, Heat and Power Company and Louisville Gas and Electric Company.

Response:

a. No. Not applicable.

b. No. These cases are almost 30 years old, and were decided before much of the research into customer payment troubles and improved customer relations had been done, published, or adopted.

The Commission could not be faulted for revisiting the issues in light of current conditions.



**AARP RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF**

Data Request 005:

Refer to page 20 of the Brockway Testimony. Ms. Brockway recommends that the commodity-related uncollectible expense not be recovered through an adjustable rider because it could result in “less effective collections and associated customer relations effort.” Explain in detail what is meant by this statement.

Response:

Any adjustable rider diminishes the incentive a utility has to reduce costs and increase revenues. This is so because the utility is not penalized for incurring excessive costs or for collecting too few revenues. There is no “regulatory lag” to police the prudence of day-to-day operations, as there is with fixed base rates.