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Mark David Goss
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Teresa J. Hill
Vice Chairman

September 18, 2006

TO: PARTIES OF RECORD
RE: Case No. 2006-00009
LG&E / KU

Enclosed please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Jeb Pinney at 502/564-3940.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

vh/
Enclosure

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File No. 2006-00009

FROM: J.E.B. Pinney, Staff Attorney *J.P.*

DATE: September 18, 2006

SUBJECT: Informal Conference

On September 1, 2006, representatives from the Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") met with Commission Staff at the Commission's offices for the purposes of conducting an informal conference. A list of the attendees at the conference is attached.

The attendees discussed two proposed changes to existing LG&E/KU tariff provisions: Sheet No.82 (application for service and conditional service) and Sheet No. 90 (transfer of unpaid balances from a closed account to an active account.)

Discussion first centered on Sheet No. 82. The proposed revisions to the tariff would make service extended to a new customer conditional for the first 72 hours of service. If, during the first 72 hours of service, the customer is found to owe the utilities a prior balance on a closed account or the customer does not comply with the utilities' tariffs, the utilities may disconnect the customer without notice.

LG&E/KU stated that, as a matter of practice, most customers receive service within 24 hours of application for service although the regulation governing extensions of service, 807 KAR 5:0006, Section 13(4), requires that LG&E/KU make the extension within 72 hours of receiving the request. LG&E/KU claimed that this expedited service did not allow for LG&E/KU to conduct an extensive background check prior to service being initiated. LG&E/KU stated that generally any prior indebtedness and/or non-compliance with tariff rules or regulations is detected when application for service is made. In those instances, service is refused until the deficiencies are remedied, but currently, if service is extended and prior indebtedness is not detected, LG&E/KU can disconnect the customer only according to the Commission regulations, a process that can take several months. LG&E/KU claimed that they merely are trying to limit their exposure while also accommodating customers. LG&E/KU claimed that the only other option was to wait 72 hours until service is activated.

LG&E/KU stated that in some cases it takes several hours to determine if a customer is previously indebted to the company. Also, if a customer doesn't give accurate information when initially applying for service, particularly on the phone (by

which most applications for service are made), LG&E/KU may not be able to immediately ascertain whether the customer has prior unpaid balances with LG&E/KU and/or whether the customer has given correct information.

Commission Staff expressed concern over the conditional nature of the service and also about the lack of notice LG&E/KU would provide to a potential customer if service were to be terminated within the first 72 hours after service was extended. LG&E/KU stated that the customer service representatives who accept applications for service would be provided with scripts that would inform applying customers of the conditional nature of the service.

The attendees next discussed Sheet No. 90, Section G, which addresses transferred balances. LG&E/KU stated that they sought to amend its tariff so to comply with 807 KAR 5:006, Section 14(1)(f). LG&E/KU stated that if a customer has an unpaid final bill from a previous address, it will not use that unpaid balance to initiate disconnection procedures for that customer at a different address. The customer would be responsible for the unpaid balance, and the balance would appear on the customer's statement, but it would not be used to disconnect the customer. The customer, however, if subsequently disconnected for nonpayment at his current address, would have to satisfy all outstanding indebtedness before service is restored.

LG&E/KU stated that a customer who currently has an active first account but seeks service at a new second address without first terminating service at the first address, may, by agreement, have the final bill from the first address transferred to the account for the new second address. That balance from the final bill from the first address, if unpaid, could be used to initiate disconnection procedures pursuant 807 KAR 5:006, Section 14(1)(f). LG&E/KU also stated that if a customer receives a disconnect notice, the disconnect notice will differentiate between what is owed to avoid disconnection and what is the transferred balance.

LG&E/KU requested approval of the new tariff provisions as soon as possible. The reason for this request is that implementing the new procedures would require changes to their customer information system that would have to be performed prior to the end of 2006.

The conference then adjourned.

cc: Parties of Record

