

**THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

Before Commissioners:            Jay Scott Emler, Chairman  
   Shari Feist Albrecht  
   Pat Apple

In the Matter of the Application of Westar            )  
Energy, Inc. and Kansas Gas and Electric            )  
Company for Approval of Revisions to            )            Docket No. 14-WSEE-148-TAR  
Their General Terms and Conditions to            )  
Implement an Optional Prepay Service Pilot            )  
Program.            )

**ORDER DENYING MOTION TO CONVERT PREPAY PILOT PROGRAM  
INTO A PERMANENT PROGRAM**

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission finds:

1.        On October 1, 2013, Westar Energy, Inc. and Kansas Gas and Electric Company (Westar) filed an Application for approval of its Optional Prepay Service Pilot Program (the Prepay Pilot). The Prepay Pilot is a voluntary program, originally limited to 1,000 customers, allowing those customers the option to prepay for their electric service.<sup>1</sup> Participants in the Prepay Pilot can make smaller payments in advance, rather than paying their full bill at the end of the monthly billing cycle.<sup>2</sup>

2.        On April 25, 2014, Westar, Commission Staff (Staff), and the Citizens' Utility Ratepayer Board (CURB) filed a Joint Motion to Approve Stipulation and Agreement, recommending the Commission implement the Prepay Pilot Program upon certain conditions, including a limit on the total number of customers with preexisting arrears balances that participate

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<sup>1</sup> Application, Oct. 1, 2013, ¶ 3.

<sup>2</sup> *Id.*, ¶ 6.

in the program to 250 of the maximum 1,000 participants, available on a first come, first served basis.<sup>3</sup>

3. On May 29, 2014, the Commission issued an Order Approving Stipulation and Agreement.

4. On May 11, 2016, Westar, Staff, and CURB filed their Joint Motion to Extend the Term of Prepay Pilot Program explaining that they had contemplated the initial program to last two years, ending on May 29, 2016.<sup>4</sup> The Joint Motion sought to extend the program for an additional five months to allow Westar to collect data covering the summer months and when college students arrive on campus for the upcoming school year.<sup>5</sup> Westar proposed to gather the data by August 31, 2016, and file a status report by November 1, 2016, informing the Commission of the results of the program and whether Westar intended to continue, modify, or cancel the program.<sup>6</sup>

5. On May 17, 2016, the Commission approved the Joint Motion to Extend Term of the Prepay Pilot Program through October 2016, and directed Westar to file a status report by November 1, 2016, informing the Commission of the results of the Prepay Pilot Program and whether Westar intends to continue, modify, or cancel the program.<sup>7</sup>

6. On June 9, 2016, Joint Movants filed a Joint Motion to Amend Prepay Pilot Program to remove participation limits of 250 customers in arrears and 1,000 total participants for the remainder of the pilot program.<sup>8</sup>

7. On June 23, 2016, the Commission issued an Order Granting Joint Motion to Amend Prepay Pilot Program, explaining removing the limitations on participation will allow

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<sup>3</sup> Stipulation and Agreement, Apr. 25, 2014, ¶ 13.

<sup>4</sup> Joint Motion to Extend the Term of Prepay Pilot Program, May 11, 2016, ¶ 4.

<sup>5</sup> *Id.*, ¶ 5.

<sup>6</sup> *Id.*, ¶¶ 7-8.

<sup>7</sup> Order Granting Joint Motion to Extend Term of Prepay Pilot Program, May 17, 2016, Ordering Clauses A&B.

<sup>8</sup> Joint Motion to Amend Prepay Pilot Program, June 9, 2016, ¶ 7.

Westar to collect more data, to better evaluate customer interest in the Prepay Program, and to best determine the success of the program and whether it should be extended.<sup>9</sup>

8. On October 25, 2016, Joint Movants filed a Joint Motion to Extend Term of Prepay Pilot Program seeking to extend the Prepay Pilot Program for an additional year to allow Westar to determine whether the pilot program should be made permanent as Westar awaits approval of its acquisition by Great Plains Energy, Inc. pending in Docket No. 16-KCPE-593-ACQ (16-593 Docket).<sup>10</sup>

9. On November 1, 2016, the Commission issued an Order Approving Limited Extension of Westar's Prepay Pilot Program, extending the Prepay Pilot Program until December 1, 2016, to allow Westar to articulate why the program should be extended further.<sup>11</sup> The Commission directed Westar to file a detailed report demonstrating the efficacy of the program and identifying the benefits justifying the program's cost by November 15, 2016, if it believed a further extension was warranted.<sup>12</sup>

10. On November 16, 2016, Westar filed a Motion to Convert Prepay Pilot Program into Permanent Program, including a status report. Based on the status report, Westar seeks to convert the Prepay Pilot Program into a permanent program and lift the participation limits currently in place.<sup>13</sup> Westar also seeks permission to add new participants to the Prepay Program while its Motion is pending.<sup>14</sup> In the alternative, Westar requests a six-month grace period to transition customers off of the Prepay Program and to conclude its contract with the third-party program administrator.<sup>15</sup>

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<sup>9</sup> Order Granting Joint Motion to Amend Prepay Pilot Program, June 23, 2016, ¶ 5.

<sup>10</sup> Joint Motion to Extend Term of Prepay, Oct. 25, 2016, ¶ 8.

<sup>11</sup> Order Approving Limited Extension of Westar's Prepay Pilot Program, Nov. 1, 2016, ¶ 9.

<sup>12</sup> *Id.*, ¶ 10.

<sup>13</sup> Motion to Convert Prepay Pilot Program into Permanent Program, Nov. 16, 2016, ¶ 11.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*, fn. 1.

11. Through October, Westar has collected \$305,604 in arrears from customers in the Prepay Program.<sup>16</sup> Westar's total program costs as of October 2016 were approximately \$170,000.<sup>17</sup> Assuming an average participation rate of 200 customers, Westar considers the \$170,000 in costs as an \$850 subsidy for each participant in the Prepay Program.<sup>18</sup> Westar argues when applied to all 600,000 residential customers and spread over the entire 30-month life of the Program, the subsidy is only about \$0.28.<sup>19</sup>

12. On November 23, 2016, Staff filed its Opposition to Westar Energy, Inc. and Kansas Gas and Electric Company's Motion to Convert Prepay Pilot Into Permanent Program because the analysis presented in Westar's Status Report does not support making the program permanent.<sup>20</sup> Specifically, Staff faults Westar for failing to conduct a cost-benefit analysis of the Prepay Pilot Program as Westar believed traditional, program-specific cost-benefit analysis was too difficult to apply to the Prepay Program.<sup>21</sup>

13. Staff relies on Attachment B to Westar's Status Report, which states the average number of participants is 164 per month, as opposed to the 200 assumed by Westar.<sup>22</sup> Therefore, dividing the costs among the 164 participants, rather than 200 participants, results in a much higher subsidy than \$850; instead, it is close to \$1,040. But even using Westar's \$850 figure, Staff asserts the subsidy is too high to justify making the Prepay Program permanent.<sup>23</sup> Staff also questions whether any arrears payments collected through the Prepay Program would have

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<sup>16</sup> Westar Report of PrePay Pilot Program, Nov. 15, 2016, p. 3.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> Staff's Opposition to Westar Energy, Inc. and Kansas Gas and Electric Company's Motion to Convert Prepay Pilot Into Permanent Program, Nov. 23, 2016, ¶ 7.

<sup>21</sup> *Id.*, ¶ 8.

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

been collected through Westar's other arrears programs.<sup>24</sup> Westar has produced no evidence that any arrears payments collected through the Prepay Program would not have been collected through other means. In essence, Staff concluded the program's costs, primarily incurred through a third-party provider, are too high to justify making the program permanent.<sup>25</sup>

14. On November 28, 2016, CURB filed its Opposition to Westar Energy, Inc. and Kansas Gas and Electric Company's Motion to Convert Prepay into Permanent Program, mirroring Staff's concerns. CURB agrees with Staff that Westar's Status Report does not support making the Program Permanent and opposes Westar's request to add new participants to the Prepay Program while the Motion is pending.<sup>26</sup> Like Staff, CURB is troubled by Westar's failure to perform a cost-benefit analysis of the Prepay Program and by the \$850 subsidy for each participant.<sup>27</sup> CURB believes the Program's current costs, particularly those incurred through a third-party provider, are too high to support a permanent Prepay program.<sup>28</sup>

15. The Commission agrees with both Staff and CURB that Westar's Status Report fails to demonstrate sufficient benefits of the Prepay Program to make it permanent. Westar failed to provide an estimate of how much of the \$305,604 arrears debt collected through the Prepay Program would not have been collected absent the Prepay Program. Without such an estimate, there is no way to know how much, if any, of the \$305,604 collected through the Prepay Program would have been recovered by Westar through other means.

16. By its admitted failure to produce a traditional, program-specific cost benefit analysis, Westar cannot demonstrate the efficacy of the pilot program and certainly cannot meet

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<sup>24</sup> *Id.*, ¶ 9.

<sup>25</sup> *Id.*, ¶ 10.

<sup>26</sup> CURB's Opposition to Westar Energy, Inc. and Kansas Gas and Electric Company's Motion to Convert Prepay into Permanent Program, Nov. 28, 2016, ¶ 11.

<sup>27</sup> *Id.*, ¶ 12.

<sup>28</sup> *Id.*, ¶ 13.

its burden to prove establishing a permanent Prepay Program is justified. Westar has not presented a sufficient record to justify making the Prepay Program permanent. Accordingly, the Commission denies Westar's Motion to Convert Prepay Pilot Program into Permanent Program.

17. In an October 25, 2016 Joint Motion to Extend Term of Prepay Pilot Program, the Joint Movants requested that Westar be given time to transition customers off of the program and to provide contractually required notice to the contractor administering the program to cancel the services agreement before discontinuing the program.<sup>29</sup> In its Motion to Convert Prepay Pilot Program into Permanent Program, Westar clarified that it sought six months to transition customers off of the Prepay Program and to conclude its contract with its third-party program administrator.<sup>30</sup> Since neither Staff nor CURB object to a six-month transition period, the Commission has no reason to question the reasonableness of a six-month transition period. Accordingly, Westar has six months from the date of this Order to transition customers off of the Prepay Program. During the transition period, Westar cannot add new participants to the Prepay Program.

**THEREFORE, THE COMMISSION ORDERS:**

A. Westar's Motion to Convert Prepay Pilot Program into Permanent Program is denied. Westar has six months from the date of this Order to transition customers off the Prepay Program.

B. The parties have fifteen days from the date this order was electronically served to petition for reconsideration.<sup>31</sup>

C. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it deems necessary.

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<sup>29</sup> Joint Motion to Extend Term of Prepay Pilot Program, Oct. 25, 2016, ¶ 13.

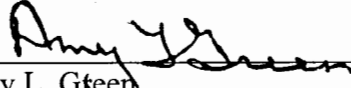
<sup>30</sup> Motion to Convert Prepay Pilot Program into Permanent Program, fn. 1.

<sup>31</sup> K.S.A. 66-118b; K.S.A. 77-529(a)(1).

**BY THE COMMISSION IT IS SO ORDERED.**

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: DEC 15 2016

  
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Amy L. Green  
Secretary to the Commission

BGF

**EMAILED**

DEC 15 2016

**CERTIFICATE OF SERVICE**

14-WSEE-148-TAR

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of

Electronic Service on DEC 15 2016

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**EMAILED**

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