

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

Before Commissioners:                     Shari Feist Albrecht, Chair  
                                                           Jay Scott Emler  
                                                           Dwight D. Keen

In the Matter of the Application of                     )  
Southern Pioneer Electric Company                     )  
Seeking Waiver of Minimum Standards for             )  
Payment Methods for Utility Bills by                     )  
Allowing Acceptance of Credit Cards and                )             Docket No. 18-SPEE-241-TAR  
the Approval of Revisions to their                     )  
Schedule of Fees Related to the                         )  
Assessment of Credit Card Convenience                 )  
Fees.                                                             )

**ORDER ALLOWING BILL PAYMENT FROM ALL  
SOUTHERN PIONEER CUSTOMERS**

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, the Commission finds and concludes as follows:

1.       On December 8, 2017, Southern Pioneer Electric Company (Southern Pioneer) filed an Application for a waiver from Sections (D) and (I)(2) of the payment standards to allow it to accept monthly bill payments by credit or debit cards from residential customers and eliminate the \$3.95 convenience fee, currently required in its Schedule of Fees.<sup>1</sup> Southern Pioneer plans to recover the cost of credit card transactions through its formula-based rate (FBR) program or incorporate the transaction costs into its cost of service.<sup>2</sup> Currently, Southern Pioneer

<sup>1</sup> Application, Dec.8, 2017, ¶ 7.

<sup>2</sup> *Id.*

customers, regardless of class, paying their bill via credit card are being assessed \$3.95 convenience fee,<sup>3</sup> with a \$500 limit per transaction.

2. On July 3, 2018, Staff filed its Report and Recommendation, which agreed Southern Pioneer should be allowed to eliminate the convenience fee, but rejected allowing only residential customers the option to pay by credit card.<sup>4</sup> Staff agreed a waiver would be necessary, but recommended the limiting the waiver to Section D(2) and only a portion of Section I(2).<sup>5</sup> Additionally, Staff recommended incorporating the cost of processing credit card transactions into the cost of service to be recovered in base rates through a regulatory asset.<sup>6</sup>

3. On July 13, 2018, the Citizens' Utility Ratepayer Board (CURB)<sup>7</sup> filed its Response, urging the Commission to adopt Staff's Report and Recommendation.<sup>8</sup>

4. On July 16, 2018, Southern Pioneer filed its Response to Staff's Report and Recommendation, disputing Staff's recommendation to allow all customer classes to pay with credit cards.<sup>9</sup> Instead, Southern Pioneer seeks to limit the option to pay by credit card to residential customers, and in the alternative, place a \$1,000 limit per transaction.<sup>10</sup>

5. On July 25, 2018, Staff filed its Reply to Southern Pioneer and CURB, reiterating its belief that limiting the option of paying by credit card to residential customers is unreasonably discriminatory<sup>11</sup> and that treating the processing costs as a regulatory asset is the best way to

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<sup>3</sup> In the 18-SPEE-428-SHO Docket, the Commission found Southern Pioneer has violated its Tariff by charging an unauthorized convenience fee to customers paying e-check. *See* Order on Tariff Violation, 18-SPEE-248-SHO, June 19, 2018.

<sup>4</sup> Staff Report and Recommendation, July 3, 2018, p. 2.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> CURB was granted intervention on December 21, 2017.

<sup>8</sup> CURB's Response to Staff's Report and Recommendation, July 13, 2018, p. 3.

<sup>9</sup> Response of Southern Pioneer Electric Company to Notice of Filing of Staff Report and Recommendation and CURB's Response to Staff's Report and Recommendation, July 16, 2018, p. 6.

<sup>10</sup> *Id.*

<sup>11</sup> Staff's Reply to Southern Pioneer's Response to Staff and CURB's Recommendations, July 25, 2018, ¶ 11.

address regulatory lag.<sup>12</sup> Staff raised concerns that Southern Pioneer had not demonstrated unknown costs associated with extending the ability to pay by credit card to non-residential customers would be unreasonably high.<sup>13</sup> To the contrary, Staff estimates most large commercial customers paying by credit card would produce lower transaction fees than the current convenience fees.<sup>14</sup> Southern Pioneer does not contest Staff's conclusion, nor offer a competing estimate.

6. Staff also expressed its concerns with placing a \$1,000 limit per transaction, which it views as arbitrarily low as it is below the average General Service Large customer monthly bill.<sup>15</sup> To alleviate any Commission concerns over potential cross-subsidization, Staff recommends splitting credit card transaction costs by class and assigning the costs on a class basis.<sup>16</sup> In sum, Staff recommends the Commission reject Southern Pioneer's recommendation for an alternative methodology to recover its costs and instead approve a regulatory asset to address regulatory lag.<sup>17</sup>

7. The Commission adopts Staff's position and grants Southern Pioneer a waiver from Sections (D)(2) and (I)(2) of the payment standards. The waiver allows Southern Pioneer to accept monthly bill payments by credit or debit cards from customers and eliminate the \$3.95 convenience fee. Based on Staff's estimate that the transaction fee for General Service Large customer bills will be significantly less than the current convenience fee, the Commission believes it makes financial sense to extend the option to pay by credit card and debit card to all customer classes.

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<sup>12</sup> *Id.*, ¶ 20.

<sup>13</sup> *Id.*, ¶ 12.

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

<sup>15</sup> *Id.*, ¶ 15.

<sup>16</sup> *Id.*, ¶ 18.

<sup>17</sup> *Id.*, ¶ 20.

8. Southern Pioneer is allowed to incorporate processing costs into its cost of service to be recovered through base rates, either in Southern Pioneer's first general rate case where data is available or in the annual updates to its FBR.<sup>18</sup> Southern Pioneer has expressed concerns over whether its FBR program is continued.<sup>19</sup> If Southern Pioneer's FBR is not renewed, a regulatory asset will be established to track transaction costs for recovery in the following rate case.

**THEREFORE, THE COMMISSION ORDERS:**

A. Staff's recommendation to grant Southern Pioneer a waiver from Sections (D)(2) and (I)(2) is granted.

B. The waiver authorizes Southern Pioneer to: (1) accept monthly bill payments by credit or debit cards from all customer classes, (2) eliminate the \$3.95 convenience fee, and (3) incorporate processing costs into its cost of service to be recovered through base rates, either in Southern Pioneer's first general rate case where transaction fee data is available or in the annual updates to its FBR.

C. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).<sup>20</sup>

D. The Commission retains jurisdiction over the subject matter and the parties to enter further orders as it deems necessary.

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<sup>18</sup> Staff Report and Recommendation, p. 4.

<sup>19</sup> Response of Southern Pioneer Electric Company to Notice of Filing of Staff Report and Recommendation and CURB's Response to Staff's Report and Recommendation, ¶ 9.

<sup>20</sup> K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

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

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

08/30/2018

Dated: \_\_\_\_\_



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Lynn M. Retz  
Secretary to the Commission

BGF

## CERTIFICATE OF SERVICE

18-SPEE-241-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 08/30/2018.

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/S/ DeeAnn Shupe

DeeAnn Shupe

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