

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of)
Westar Energy, Inc. and Kansas Gas and)
Electric Company for Approval of) Docket No. 14-WSEE-589-TAR
Revisions to their General Terms and)
Conditions related to the Credit Card)
Convenience Fee)

APPLICATION

COME NOW Westar Energy, Inc. (Westar North) and Kansas Gas and Electric Company (Westar South) (collectively referred to as “Westar”) and file this Application for approval of revisions to the General Terms and Conditions of their Tariff in order to implement a new credit card program. In support of its Application, Westar states:

1. Westar North and Westar South are corporations duly organized under the laws of the State of Kansas engaged, among other things, in the business of electric public utilities, as defined by K.S.A. 66-104, in legally designated areas within the State of Kansas. Westar holds certificates of convenience and authority issued by this Commission authorizing it to engage in such utility business.

2. Westar is proposing to eliminate the convenience fee for residential customers that use credit or debit cards (together as “credit cards”) to make payments and to incorporate the cost of those transactions into Westar’s cost of service. For commercial and industrial customers, Westar is proposing to adjust the amount of the convenience fee paid by customers to reflect the true cost of using that payment method for those customers. The revisions related to the proposed changes are shown in redline to Sections 4 and 12, of the General Terms and Conditions of Westar’s Tariff, which are attached as Exhibits to the Testimony of Jeffrey Beasley.

3. Westar is submitting the Testimony of Jeffrey Beasley in support of its Application.

4. Currently, all Westar customers that pay their electric bill using a credit card are charged a convenience fee of \$2.95 with a limit of \$1,000 per transaction. A convenience fee is required by the Commission's Minimum Standards for Payment Methods for Utility Bills and Allowing the Acceptance of Credit Cards by Kansas Jurisdictional Electric, Natural Gas, and Water Utilities (Credit Card Standards) and the amount of the convenience fee is established in the General Terms and Conditions of Westar's Tariff.

5. Section (D) of the Credit Card Standards provides, in part:

The following general principles shall govern the use of nonzero fee payment alternatives such as credit, debit and ATM card payments (hereinafter "credit cards"):

...

(2) the cost to the utility associated with accepting nonzero fee payment alternatives should be exclusively borne by the users of such payment methods.

Section (I)(2) of the Credit Card Standards provides, in part, that "[c]ustomers not paying with credit cards shall not be burdened with the transaction costs of customers utilizing these payment methods."

6. Sections 4 and 12 of the General Terms and Conditions of Westar's Tariff provide that customers paying a bill with a credit card shall pay a convenience fee of \$2.95 per transaction.

7. Westar requests approval to implement a payment option that will allow residential customers to make payments using credit cards without incurring a fee for each transaction. Instead, Westar will pay the associated costs for credit card processing and

incorporate that cost into its cost of service. Westar intends to request that this cost be recovered through base rates from all residential customers, not just those utilizing credit cards, in its next general rate case.

8. Westar also proposes to increase the convenience fee for commercial and industrial customers to 3.5% of the transaction amount. When the credit card program for residential customers is separated from the credit card program for commercial and industrial customers so that the residential convenience fee can be eliminated, each class of customers is assessed a rate for credit card payments that more accurately reflects the related costs for the class. The 3.5% represents the true cost of credit card transactions for commercial and industrial customers.

9. Westar will work with the chosen vendor to determine any transaction or velocity limits to help limit the potential for fraud for residential, commercial, and industrial customers.

10. Westar is requesting a waiver from Sections (D) and (I)(2) of the Credit Card Standards and requesting approval of the revisions to its General Terms and Conditions reflected in Exhibit A to Mr. Beasley's testimony.

11. Westar requests that the Commission issue an order with respect to the proposed program within 90 days.

WHEREFORE, Westar respectfully requests that the Commission issue an order approving the elimination of the credit card convenience fee for residential customers and a change to the convenience fee amount for commercial and industrial customers.

Respectfully submitted,

WESTAR ENERGY, INC.
KANSAS GAS AND ELECTRIC COMPANY

Cathryn Dinges
Cathryn J. Dinges, #20848
Senior Corporate Counsel
818 South Kansas Avenue
Topeka, Kansas 66612
Telephone: (785) 575-1986
Fax: (785) 575-8136

VERIFICATION

STATE OF KANSAS)
)
COUNTY OF SHAWNEE) ss:

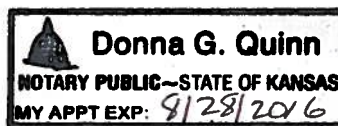
Cathryn J. Dinges, being duly sworn upon her oath deposes and says that she is the attorney for Westar Energy, Inc. and Kansas Gas and Electric Company; that she is familiar with the foregoing **Application** that the statements therein are true and correct to the best of her knowledge and belief.

Cathryn Dinges
Cathryn J. Dinges

SUBSCRIBED AND SWORN to before me this 17th day of June, 2014.

Donna G. Quinn
Notary Public

My Appointment Expires: 8/28/2016



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

**DIRECT TESTIMONY
OF
JEFFREY BEASLEY
WESTAR ENERGY, INC.**

DOCKET NO. _____

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Jeffrey Beasley. 818 South Kansas, Avenue, Topeka, Kansas
3 66612.

4 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

5 A. Westar Energy, Inc. (Westar) as Vice-President, Customer Care.

6 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR
7 EDUCATION AND PROFESSIONAL EXPERIENCE.**

8 A. I received a Bachelor of Science degree with majors in accounting
9 and business administration from Pittsburg State University. My
10 utility experience began in August 1978 when I joined Westar.
11 While at Westar I have served in various financial accounting,
12 budgeting, division operations, and customer accounting/service
13 roles. In my current position I am responsible for oversight of

1 customer relations, meter operations, retail billing, credit and
2 collections, and revenue protection.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. I will explain Westar's proposal to change its current credit card
5 program which charges a convenience fee for customers that use
6 credit or debit cards (together as "credit cards") to make payments.
7 I will further explain how Westar proposes to provide a residential
8 credit card program whereby the cost of those transactions will be
9 incorporated into Westar's cost of service and to increase the fee
10 charged to commercial and industrial customers to reflect the actual
11 cost of transactions for those customers. I will also provide the
12 revisions to Westar's Tariff necessary to accomplish this proposal
13 and explain our request for a waiver of the Commission's Minimum
14 Standards for Payment Methods for Utility Bills and Allowing the
15 Acceptance of Credit Cards by Kansas Jurisdictional Electric,
16 Natural Gas, and Water Utilities (Credit Card Standards).

17 **Q. WHAT DO THE CREDIT CARD STANDARDS AND WESTAR'S**
18 **TARIFF PROVIDE WITH RESPECT TO THE TRANSACTION FEE**
19 **FOR CREDIT CARD TRANSACTIONS?**

20 A. Section (D) of the Credit Card Standards provides, in part:

21 The following general principles shall govern the use
22 of nonzero fee payment alternatives such as credit,
23 debit and ATM card payments (hereinafter "credit
24 cards"):

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(2) the cost to the utility associated with accepting nonzero fee payment alternatives should be exclusively borne by the users of such payment methods.

Section (l)(2) of the Credit Card Standards provides, in part, that “[c]ustomers not paying with credit cards shall not be burdened with the transaction costs of customers utilizing these payment methods.” Sections 4 and 12 of the General Terms and Conditions of Westar’s Tariff provide that customers paying a bill with a credit card shall pay a convenience fee of \$2.95 per transaction with a transaction limit of \$1,000.

Q. HOW DOES WESTAR’S CREDIT CARD PAYMENT OPTION CURRENTLY WORK?

A. Westar utilizes a third-party that functions as an agent for Westar and accepts customer bill payments made via credit card on Westar’s behalf. The convenience fee is added to the amount that the customer is paying toward their electric account. For example, if customer is paying \$100 for electric service their credit card account will be charged for \$102.95 (\$100 + \$2.95 fee). The fee, therefore, is borne by the customer that utilizes this payment option.

The third-party provider pays a percentage-based interchange fee for each transaction, which is a percentage of the dollar amount of the transaction. The third-party then charges

1 Westar's customers a fixed convenience fee based on their
2 expectation of the average interchange fee it incurs.

3 **Q. WHAT IS WESTAR'S PROPOSAL FOR RESIDENTIAL**
4 **CUSTOMERS IN THIS DOCKET?**

5 A. Westar proposes to implement a payment option that allows
6 residential customers to make payments using credit cards without
7 incurring a fee for each transaction. Instead, Westar will pay the
8 fees charged for accepting credit cards for residential customers
9 and incorporate that cost into its cost of service. That cost will then
10 be recovered through base rates from all residential customers, not
11 just those utilizing credit cards. Westar will also work with the
12 chosen vendor to determine any transaction or velocity limits to
13 help limit the potential for fraud.

14 In order to accomplish this, Westar requests a waiver from
15 Sections (D) and (I)(2) of the Credit Card Standards and asks the
16 Commission to approve the revisions to its General Terms and
17 Conditions reflected in Exhibit A to my testimony.

18 **Q. WHY IS WESTAR PROPOSING TO ELIMINATE THE**
19 **CONVENIENCE FEE FOR RESIDENTIAL CUSTOMERS USING**
20 **CREDIT CARDS?**

21 A. Eliminating the \$2.95 convenience fee for residential customers
22 using credit cards and incorporating the associated fees into base
23 rates will bring Westar's practices more in line with the business

1 practices of other industries and businesses. Most other types of
2 service providers – and some other electric utilities, including
3 Kansas City Power & Light Company’s (KCPL) – offer a credit card
4 payment option without charging a fee. More consumers are
5 utilizing credit cards as their primary method of paying recurring
6 bills and are not accustomed to paying an additional fee for using a
7 credit card. Offering this payment option as a zero fee payment
8 method will increase customer satisfaction.

9 In fact, “[s]tudies show significant linkages between utility
10 customer satisfaction and electronic bill payment and
11 communication methods . . . Customers are not comparing their
12 utility to other utilities. The online customer experience bar is being
13 set by companies like Amazon, Apple, and American Express and
14 a seamless billing and payment system is essential.” CDS Global,
15 *Meeting Customers Expectations, Do utility billing and payment*
16 *capabilities measure up?*, September 2013, at p. 2, attached hereto
17 as Exhibit B. “Customers desire and expect to be able to use credit
18 cards . . . Customers simply do not want to pay convenience fees.”
19 *Id.* at p. 9, and citing JD Power’s 2012 Electric Utility Residential
20 Customer Satisfaction Survey. CDS Global indicates that not
21 charging a convenience fee for credit card payments is one of the
22 best practices leading to customer satisfaction with payment and
23 billing options. *Id.* at p. 8.

1 **Q. HAVE ANY OTHER ORGANIZATIONS CONSIDERED THE**
2 **BENEFITS OF ELIMINATING CONVENIENCE FEES FOR**
3 **RESIDENTIAL CUSTOMERS?**

4 A. Yes. In July 2012, the National Association of State Utility
5 Consumer Advocates (NASUCA) passed a resolution “urging
6 utilities to eliminate convenience fees for paying utility bills with
7 debit and credit cards and urging appropriate state regulatory
8 oversight.” NASUCA Resolution, attached hereto as Exhibit C.
9 NASUCA concluded that convenience fees should be eliminated for
10 a number of reasons, including:

- 11 • that payment by debit and credit cards has become “a nearly
12 universal means by which consumers pay for goods and
13 services;”
- 14 • that convenience fees “make it hard for low income
15 customers, when paying utility bills to use the payment
16 method that is often most available to them, namely, prepaid
17 debit cards;”
- 18 • that a large number of utilities, particularly cooperative and
19 municipal utilities, have implemented credit card programs
20 without convenience fees;
- 21 • that utilities “incur payment transaction costs no matter what
22 forms of payment they accept;”
- 23 • that utilities will recover the payment transaction costs
24 associated with credit cards in their rates;
- 25 • that there may be “additional savings associated with the
26 payment of utility bills by debit or credit card, as contrasted
27 with payment by check or other means, such as more
28 immediate receipt of payment, lower collection risks and
29 uncollectible debt expense, improved cash flow and reduced
30 working cost of capital.”
- 31 • that there may be “additional savings associated with the
32 payment of utility bills by debit or credit card, as contrasted
33 with payment by check or other means, such as more
34 immediate receipt of payment, lower collection risks and
35 uncollectible debt expense, improved cash flow and reduced
36 working cost of capital.”

1 **Q. HAS THE COMMISSION APPROVED ELMINIATION OF THE**
2 **RESIDENTIAL CONVENIENCE FEE FOR ANY OTHER**
3 **UTILITIES IN KANSAS?**

4 A. Yes. In Docket No. 06-KCPE-828-RTS, the Commission approved
5 KCPL’s proposal to create a credit card payment option where
6 customers could make payments using credit cards without
7 incurring a transaction fee. KCPL proposed that the cost
8 associated with those transactions be recovered through its cost of
9 service. Staff witness Sonya Cushinberry testified that Staff was
10 “pleased that KCPL is choosing to offer this payment method to its
11 residential customers . . .” Cushinberry Direct at p. 15, Docket No.
12 06-KCPE-828-RTS. Staff witness Justin Grady testified that “Staff
13 applauds KCPL’s decision to implement a credit card payment
14 acceptance program and to absorb the associated costs into the
15 cost of service.” Grady Direct at p. 16, Docket No. 06-KCPE-828-
16 RTS. The Commission approved KCPL’s creation of a credit card
17 program with no transaction fee in Docket No. 06-KCPE-828-RTS
18 and approved incorporation of the associated costs into KCPL’s
19 cost of service in Docket No. 12-KCPE-764-RTS.

20 **Q. DO OTHER UTILITIES HAVE SIMILAR CREDIT CARD**
21 **PROGRAMS WITHOUT CONVENIENCE FEES FOR**
22 **RESIDENTIAL CUSTOMERS?**

1 A. Yes. Examples in addition to KCPL include DT Energy, SCANA,
2 and Consumers Energy.

3 **Q. WHAT ARE THE COMPONENTS OF THE COSTS WESTAR**
4 **WILL INCUR FOR CREDIT CARD TRANSACTIONS UNDER**
5 **THIS PROPOSAL?**

6 A. There are four primary components for each transaction: 1)
7 interchange fees, 2) assessment and card association fees, 3) card
8 processing fees, and 4) Payment Gateway and miscellaneous fees.

9 **Q. WHAT ARE INTERCHANGE FEES?**

10 A. These fees are collected and provided to the bank that issues the
11 credit card.

12 **Q. WHAT ARE ASSESSMENT AND CARD ASSOCIATIONS FEES?**

13 A. These are fees charged by Visa, MasterCard, and Discover for
14 using their respective networks.

15 **Q WHAT ARE THE CARD PROCESSING FEES?**

16 A. These fees are associated with the processing company that
17 handles the authorization or validation for the card and settlement
18 of funds through the network system.

19 **Q. WHAT ARE THE PAYMENT GATEWAY AND MISCELLANEOUS**
20 **FEES**

21 A. These costs are associated with the front end payment platform to
22 accept the card payment. This is the platform where customers
23 would enter their card information. This platform must be certified

1 as PCI compliant according to the network's security protocol. It
2 includes such items as web and IVR portals to accept payments
3 and all third-party transaction costs for providing the service to
4 Westar.

5 **Q. HOW WILL WESTAR BE CHARGED FOR THESE COST**
6 **COMPONENTS?**

7 A. There are two models available to Westar when we move away
8 from the convenience fee model – the bundled model and the
9 interchange-plus model. With the bundled model, a service
10 provider charges Westar a fixed fee per transaction that is designed
11 to cover all four of the cost components I identified earlier and
12 provide some profit to the service provider. Because the first three
13 cost components vary depending on the type of card used to make
14 the payment, the service provider sets the fixed fee at a level it
15 believes will be sufficient to cover the variance in those
16 components based on the type of cards expected to be used.

17 With the interchange-plus model, the first three cost
18 components are passed directly through to Westar and Westar
19 pays the service provider a negotiated fee for the fourth
20 component.

21 Westar is proposing to move forward with the interchange-
22 plus model for residential customers. We have issued – and
23 received responses to – a request for proposal (RFP) for a provider

1 to establish the payment platform through which credit card
2 payments will be accepted. Based on the bids received through the
3 RFP process and the expected rates for the first three cost
4 components, Westar believes that the interchange-plus model will
5 be the most cost-effective model for implementing the new
6 residential credit card program. Our understanding is that KCPL
7 also uses the interchange-plus model for its residential credit card
8 program.

9 **Q. WHAT WILL TRANSACTIONS COST ON AVERAGE?**

10 A. There are a number of factors that impact the cost for each
11 transaction made with a credit card. Those factors include (1) the
12 type of card (i.e., debit, credit, consumer, business, qualifying or
13 non-qualifying cards), (2) the brand of card (i.e., Visa, MasterCard,
14 Discover), (3) the size of the bank that issues a debit card (i.e., is
15 pricing impacted by the Durbin Amendment), and (4) how the
16 transaction is made (i.e., web, IVR).

17 **Q. CAN YOU PROVIDE A SUMMARY OF VISA'S AND**
18 **MASTERCARD'S CURRENT UTILITY RATE SCHEDULES FOR**
19 **THE INTERCHANGE FEES?**

20 A. Yes. The chart below summarizes the current utility rate
21 interchange fees for Visa and MasterCard for residential customers.
22 The complete versions of Visa's and MasterCard's interchange fee
23 schedules are attached hereto as Exhibit D. It is important to note

1 that the utility rate only applies to payments made with qualifying
 2 cards.

3 **Visa Utility Rate Interchange Fees**

Fee Program	Exempt Card	Regulated Card
CPS/Utility, Debit	\$0.65	0.05%+\$0.21*
CPS/Utility, Prepaid	\$0.65	0.05%+\$0.21*
CPS/Utility, Credit Card	\$0.75	N/A

4 *Issuers that certify to Visa their compliance with the interim fraud prevention standards
 5 will receive an additional US \$0.01

6 **MasterCard Utility Rate Interchange Fees**

Credit Cards						
Core Value	Enhanced Value	World	World High Value	World Elite	Debit Card	Prepaid Card
0.00% +0.65	0.00% +0.65	0.00% +0.65	0.00% +0.75	0.00% +0.75	0.00% +0.45**	0.00% +0.65**

7 ** Regulated Cards will be charged the same rates as listed above in the VISA summary

8 **Q. HOW DO NON-QUALIFYING CARDS IMPACT COSTS?**

9 A. Not all cards that are used will qualify for the special utility rate
 10 structure. If a residential customer uses one of these cards, Westar
 11 is obligated by card association rules to accept the payment. The
 12 cost for these cards can be as high as 2-3% of the payment
 13 amount. While we expect this to represent a small portion of the
 14 credit card payments we receive, we will not know the exact impact
 15 until we see what payment cards our customers choose to use.

16 **Q. WHAT IMPACT DO YOU EXPECT THE CHANGES TO THE**
 17 **CREDIT CARD PROGRAM WILL HAVE?**

1 A. Credit card transactions represent approximately five percent of
2 total payment transactions processed in 2013. However, we
3 believe that additional customers will utilize this payment option
4 when the transaction fee is eliminated. Based on conversations
5 with DTE Energy, a company that implemented the no fee method
6 over two years ago, we understand that they experienced an
7 increase in customers that use credit cards to make payments to
8 20% of their residential customer base within the first two year
9 period after implementing a zero fee payment method. As a result,
10 our estimate is that credit transactions will rise to approximately 20
11 percent of all payment transactions after two years. Westar plans
12 to structure the program pursuant to the card associations'
13 requirements in order to qualify for the utility rate for payments
14 made with qualifying cards. Based on the current rates, we expect
15 to reduce the all-in cost per transaction from the \$2.95 fee
16 experienced by the customer today to approximately \$1.40. As a
17 result, we expect the annualized cost of the residential credit card
18 program to be approximately \$2 million at a 20% saturation level.

19 **Q. HOW WILL WESTAR RECOVER THE COSTS ASSOCIATED**
20 **WITH CREDIT CARD TRANSACTIONS IF THE TRANSACTION**
21 **FEE IS ELIMINATED?**

22 A. Westar will incorporate the cost into its cost of service, which will
23 first be reflected in rates after Westar's next general rate case,

1 which we anticipate filing with the Commission in the first half of
2 2015. We hope to have the new program in place long enough
3 before Staff and intervenors' testimony will be due in the next
4 general rate case so that we have a good idea of the impact the
5 elimination of the transaction fee has on the number of customers
6 utilizing the payment option and the associated cost.

7 **Q. ARE THERE ANY OTHER BENEFITS FOR RESIDENTIAL**
8 **CUSTOMERS ASSOCIATED WITH THE NEW CREDIT CARD**
9 **PROGRAM?**

10 A. Yes. Establishing a new relationship with a vendor to implement
11 the residential credit card program may provide opportunities for
12 Westar to add pay stations at new locations throughout our
13 territory. Several of the credit card vendors we have talked to offer
14 pay stations at new and different locations in our area and we plan
15 to work to establish access to these new locations as we finalize
16 our arrangements for the credit card program.

17 **Q. WHAT IS WESTAR'S PROPOSAL FOR COMMERCIAL AND**
18 **INDUSTRIAL CUSTOMERS IN THIS DOCKET?**

19 A. Westar is proposing to increase the fee paid by commercial and
20 industrial customers to 3.5% of the transaction amount. Westar will
21 also work with the chosen vendor to determine any transaction or
22 velocity limits to help limit the potential for fraud.

1 **Q. WHY ARE YOU INCREASING THE FEE FOR COMMERCIAL**
2 **AND INDUSTRIAL CUSTOMERS?**

3 A. The cost of credit card transactions for commercial and industrial
4 customers is higher than the cost for residential customers because
5 the average interchange rate for commercial and industrial
6 transactions is higher due to the types of cards those customers
7 utilize. Under the existing credit card program, residential
8 customers have been subsidizing commercial and industrial
9 customers. When the credit card provider charges a single rate for
10 all customer classes, it determines what the average interchange
11 rate for all customers would be and then sets the fee at a level that
12 ensures recovery of the interchange fees plus the provider's costs.
13 As a result, the rate is higher than it would be for residential
14 customers alone and lower than it would be for commercial and
15 industrial customers alone.

16 When the credit card program for residential customers is
17 separated from the program for commercial and industrial
18 customers so that convenience fees can be eliminated for
19 residential customers, the rate for commercial and industrial
20 customers increases to reflect the true cost for those customer
21 classes. Commercial and industrial customers utilize cards that do
22 not qualify for the utility rate more often than residential customers
23 and that results in a higher cost per transaction.

1 **Q. WHY DID WESTAR CHOSE TO RETAIN THE CREDIT CARD**
2 **OPTION FOR COMMERCIAL AND INDUSTRIAL CUSTOMERS?**

3 A. Although the cost of using a credit card will increase for these
4 customers, we wanted to continue to offer the option. In 2013 there
5 were 2500 different commercial/industrial customers that utilized
6 the credit card payment option at least once during the year. We
7 wanted to allow these customers and other commercial and
8 industrial customers the opportunity to independently evaluate the
9 economics of using a credit card to pay their electric bill given a
10 convenience fee that reflects the true cost of the transaction and
11 factors specific to their business, including their cash flow needs
12 and the ability to earn rebates on credit card purchases.

13 **Q. THANK YOU.**

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

(Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 1

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 1 of 27 Sheets

GENERAL TERMS AND CONDITIONS

4. BILLING AND PAYMENT

4.01 Payment of Bills:

- A. All bills for Electric Service are due and payable upon receipt. Normally bills shall be sent by mail. In addition, Company offers customers an electronic (e-mail) billing option. Customer may change this option at any time. The non-receipt of a bill by customer shall not release or diminish the obligation of customer with respect to the full payment thereof, including the delayed payment charge. If the last calendar day for remittance falls on a day when Company's authorized agents are not available to the general public, then the final payment date shall be extended through the next business day.
- B. Residential customer bills for Electric Service are delinquent on the date specified thereon. This date is the last date payments that are received can, in the normal and reasonable course of business, be credited to customer's account in preparation of the next succeeding normal bill. Unless otherwise specified by contract or applicable Rate Schedule, non-residential bills for Electric Service are delinquent 15 days after the mailing date of bill.

4.02 Responsibility for Bill Payment:

- A. Customer's failure to pay obligations to and claims by Company under customer's Service Agreement for utility related services shall constitute a default justifying discontinuance of Electric Service under Section 5 of these General Terms and Conditions. Customer's failure to pay Company other than amounts due Company under customer's Service Agreement for Electric Service, shall not be a default justifying discontinuance of customer's Electric Service under Section 5 of these General Terms and Conditions. Company's failure to pay customer when required or to give customer credit shall not justify customer's failure to pay the amounts due Company under customer's Service Agreement for utility related services nor prevent customer from being in default. Default shall be determined as follows:

Issued _____
Month Day Year

Effective _____
Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 2

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 2 of 27 Sheets

GENERAL TERMS AND CONDITIONS

1. customer's failure to conform to these General Terms and Conditions,
2. customer's failure to pay in full any delinquent amount due Company under customer's Service Agreement for utility related services, and
3. customer's obligation to pay in full any delinquent amount due Company under customer's Service Agreement for utility related services shall be separate from other obligations and claims between Company and customer.

B. Company shall not threaten or refuse service to, or threaten or disconnect Electric Service of, a customer for an outstanding debt on an account unless the individual either signed the service agreement on the account or agreed orally at time service was established to be responsible for the account. The only exception to this rule is when an individual and customer, who signed the Service Agreement or orally agreed to be responsible for the account at the time Electric Service was established, lived together when the debt was incurred and continue to live together.

C. Company shall not threaten or refuse Electric Service to or threaten or disconnect Electric Service of customer for an outstanding debt more than five years old under a signed Service Agreement or three years under an oral agreement.

4.03 Methods of Payment

A. Payment By Mail:

1. Customers paying by mail shall place a check or money order in a clearly addressed envelope and shall post such payment to cause it to arrive at Company's remittance processing center on or before the delinquency date.
2. If Customer pays by personal check and said personal check is returned by the bank for non-payment due to insufficient funds, then Company may assess an Insufficient Funds Charge of \$30.00 pursuant to Sections 12.07.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 3

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 3 of 27 Sheets

GENERAL TERMS AND CONDITIONS

3. Company may require customer to make payment of bills by cash at an authorized pay agent location or by mailing certified checks or money orders.
4. Company may convert personal checks into Electronic transactions. If Company elects to convert personal checks into electronic transaction(s) and said electronic transaction is returned by the bank for non-payment due to insufficient funds, then Company may assess a charge of \$30.00 pursuant to Section 12.08, Insufficient Funds Service Charge.

B. Authorized Pay Agents:

1. Company may contract with Authorized Pay Agent(s) to establish and maintain an authorized network of non-utility businesses at appropriate locations where customers can make payments in person using personal checks, an electronic payment (ACH transaction), money order, certified checks or cash.
2. Authorized payment locations shall provide a complete list of all available payment options and the amount of any associated fees payable by customers.
3. If Customer pays by personal check and said personal check is returned by the bank for non-payment due to insufficient funds, then company may assess an Insufficient Funds Charge of \$30.00 pursuant to Section 12.07.
4. Company or its agent may convert personal checks into Electronic transactions. If Company or its agent elects to convert personal checks into an electronic transaction and said electronic transaction is returned by the bank for non-payment due to insufficient funds returns, then Company may assess a charge of \$30.00 pursuant to Section 12.08 Insufficient Funds Service Charge.
5. Company may require customer to make payment of bills by cash or by mailing certified checks or money orders.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 4

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 4 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- C. Electronic Payment or Draft: Customer may request Company or an Authorized Pay Agent to issue a draft or electronic transaction on the customer's account in a U.S. financial institution for payment of customer's bill for utility services.
1. The decision to accept an Electronic Payment shall be solely that of Company.
 2. Company may administer Phone Check requests through a live telephone representative or through automated processes such as an interactive voice response (IVR) system. Requests for Web Payment may be made through Company's Internet web site.
 3. Company shall credit an Electronic Payment through authorized payment processes to the customer's account as if payment had been received at Company's remittance center on the same business day as the customer's payment.
 4. Customer shall ensure that sufficient funds are available to pay the amount of the requested Electronic Payment or Draft.
 - a. An Electronic Payment returned to Company for insufficient funds may incur a charge pursuant to Section 12.08 Insufficient Funds Service Charge.
 - b. A Draft Payment returned to Company for insufficient funds may incur a charge pursuant to Section 12.07 Insufficient Funds Charge.
 - c. An Electronic Payment or Draft returned to Company for insufficient funds may cause customer's account to be deemed delinquent as if the payment had never been tendered.
 - d. Company may refuse to issue an Electronic Payment or Draft for a customer who has tendered to Company one or more insufficient funds payments.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

(Name of Issuing Utility)

SCHEDULE GT&C

Replacing Schedule GT&C Sheet 5

WESTAR SERVICE AREA

(Territory to which schedule is applicable)
2012

which was filed April 18, 2012 November 28,

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 5 of 27 Sheets

GENERAL TERMS AND CONDITIONS

D. Credit Card Payment: Customer may request Company or an authorized agent to accept payment by customer's credit card for payment of customer's bill for utility services. Commercial and Industrial customers will pay to authorized agent a fee not to exceed the amount specified in Section 12.15 Credit, Debit Card Fee ~~for each transaction less than \$1000.~~ Residential customers will incur no fee.

1. The decision to accept a credit card payment shall be solely that of Company or its authorized agent.
2. Company may administer credit card payment requests through a live telephone representative or through automated processes such as an interactive voice response (IVR) system or through Company's Internet web site or an authorized agents web site.
3. Company shall credit a credit card payment through authorized payment processes to the customer's account as if payment had been received at Company's remittance center on the same business day as the customer's payment.
4. A credit card payment reversed for any reason may cause customer's account to be deemed delinquent as if the payment had never been tendered.
5. Company or its agent may refuse to accept credit card payments from a customer who has obtained the use of a credit card improperly. This may include but is not limited to; reported or suspected use of credit cards in a fraudulent manner, reported or suspected use of stolen credit card or is defrauding the Company or owner of the credit card.

E. ATM or Debit Card Payment: Customer may request Company or an authorized agent to accept payment by customer's debit or ATM card for payment of customer's bill for utility services. Commercial and Industrial customers will pay to authorized agent a fee not to exceed the amount specified in Section 12.15 Credit, Debit Card Fee ~~for each transaction less than \$1000.~~ Residential customers will incur no fee.

Issued _____
Month Day Year

Effective _____
Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 6

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 6 of 27 Sheets

GENERAL TERMS AND CONDITIONS

1. The decision to accept a debit or ATM card payment shall be solely that of Company or its authorized agent.
2. Company may administer debit or ATM card payment requests through a live telephone representative or through automated processes such as an interactive voice response (IVR) system or through Company's Internet web site or an authorized agents web site.
3. Company shall credit a debit or ATM card payment through authorized payment processes to the customer's account as if payment had been received at Company's remittance center on the same business day as the customer's payment.
4. Customer shall be responsible for and ensure that sufficient funds are available to pay the amount of the requested debit or ATM payment.
 - a. A debit or ATM card payment returned to Company for insufficient funds or reversed by customer may incur a charge pursuant to Section 12.08 Insufficient Funds Service Charge.
 - b. A debit or ATM card payment returned to Company for insufficient funds may cause customer's account to be deemed delinquent as if the payment had never been tendered.
 - c. Company or its agent may refuse to accept ATM or debit card payments from a customer who has obtained the use of an ATM or debit card improperly. This may include, but is not limited to; reported or suspected use of an ATM or debit cards in a fraudulent manner, reported or suspected use of stolen ATM or debit card or is defrauding the Company or owner of the ATM or debit card.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 7

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 7 of 27 Sheets

GENERAL TERMS AND CONDITIONS

F. Automatic Bill Payment Plan: Company may establish a program that will, upon a customer's request, systematically withdraw the customer's billed payments from his/her account at a bank or recognized financial institution.

If Customer pays by Automatic Bill Payment and said payment is returned by the bank for non-payment due to insufficient funds, then company may assess an Insufficient Funds Service Charge of \$30.00 pursuant to Section 12.08.

4.04 Meter Reading

4.04.01 Meter Reading Periods: Unless otherwise provided for in Company's General Terms and Conditions or Rate Schedules or Riders, meters shall be read periodically in a range of no less than 26 days and no more than 36 days for monthly billings. Company may vary its monthly meter reading for customers to take into account the effects of connection, disconnection, or rerouting of meter routes. Company may adopt a cycle-billing plan for dividing its service territory into districts and for reading meters on a schedule of days throughout the month.

4.04.02 Customer Read Meters:

a) Company may request customers in sparsely populated areas or customers with inaccessible meters, to read their meters at intervals approximating the billing period. Company's requests for meter readings by customers shall be on printed forms provided by Company or by customers using Company's Interactive Voice Recording (IVR) System. Such forms shall contain instructions as to method of obtaining the reading.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

(Name of Issuing Utility)

SCHEDULE GT&C

Replacing Schedule GT&C Sheet 8

WESTAR SERVICE AREA

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 8 of 27 Sheets

GENERAL TERMS AND CONDITIONS

b) While meter readings by customer will be used for billing purposes those readings shall not be considered final. Such customer's meters will be read at least once a year by Company and the readings obtained shall be compared with customer's readings. Company shall adjust customer's bill in accordance with subsection 4.04.03, Estimated Bills, if there is any difference between the readings. Except as provided in subsection 4.04.03, Estimated Bills, a final bill when Electric Service is discontinued shall be based on an actual reading by Company.

4.04.03 Estimated Bills:

- a) Company may estimate customer's usage for a billing period and render a bill accordingly. Company may render a bill based on estimated usage only if the estimating procedures employed by Company and any substantial changes in those procedures have been approved by the Commission. Company may render a bill based on estimated usage in the following instances:
 - i) to seasonal customers, provided an appropriate Rate Schedule is filed with the Commission and an actual reading is obtained before each change in the seasonal cycle;
 - ii) when extreme weather conditions, emergencies, work stoppages, broken meters or other equipment failures or other circumstances beyond Company's control prevent actual meter readings;
 - iii) when Company is unable to reasonably obtain access to customer's premises for reading the meter and commercially reasonable efforts to obtain a reading of customer's meter, such as mailing or leaving pre-addressed forms upon which customer may note the readings or IVR system which customer may call in the readings or enter the meter read via Company's Internet site have been unsuccessful;

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 9

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 9 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- iv) when customer does not furnish a meter reading as requested by Company; or
- v) as customer's final, initial or corrected bill, but only when:
 - 1) customer so requests provided any necessary adjustments are made to the bill upon a subsequent actual meter reading by Company;
 - 2) an actual meter reading would not show an actual customer's usage, but is used in estimating usage; and
 - 3) an actual meter reading cannot be taken because of a broken meter or other equipment failure.
- b) Before rendering an estimated bill, Company may request customer to provide a meter reading on pre-addressed forms or through Company's IVR System or by entering the meter read through Company's Internet site. When estimating usage, Company shall consider customer's historical consumption, current consumption of similar customers for whom actual meter readings were obtained and the length of the billing period.
- c) Except in cases where customer is serviced under an approved Rate Schedule providing otherwise, Company will not render a bill based on estimated usage for more than three (3) consecutive billing periods or six (6) billing periods per year. If the meter is inaccessible and customer is unavailable or fails to furnish a meter reading as requested, then Company may render an estimated bill as necessary. Such customer's meters will be read at least once a year by Company and an adjustment, if necessary, shall be made as provided herein. Company may charge customer a meter reading charge as provided in Section 12.02, Meter Reading Charge, if a special reading is required.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

(Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 10

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 10 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- d) When Company renders estimated bills, it will maintain accurate records of the reasons therefore and efforts made to secure actual readings for a period of at least 36 months. All such bills shall state that they have been based on estimated usage and Company shall make any appropriate adjustments upon subsequent reading of the meter by Company.

4.04.04 Estimated Bill Procedure:

- a) Meter readers shall not make estimates of customer's usage. However, meter readers may provide specific knowledge of customer's unique circumstances to Company's Billing Department for calculation of an estimated bill.
- b) Company shall use one of the following methods to estimate a customer's electric usage for billing purposes:
 - i) Calculation of peer group average as follows:

$$A/B \times C = \text{Estimate usage for a meter}$$

Where:

- A = peer's usage this month
- B = peer's usage for same month last year
- C = Usage for same month last year for meter to be estimated

If usage from last year is unavailable, "B" shall be used as the estimate.

The peer group, cycle, revenue month, and town, usage total days used, and the total number of meters which make up the days and usage.

- ii) Historical electric usage of customer's meter being estimated adjusted for weather if necessary and length of the billing period.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

(Name of Issuing Utility)

WESTAR SERVICE AREA

(Territory to which schedule is applicable)

2012

SCHEDULE GT&C

Replacing Schedule GT&C Sheet 11

which was filed April 18, 2012 November 28,

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 11 of 27 Sheets

GENERAL TERMS AND CONDITIONS

4.04.05 Meter Reading Charge:

- a) If a customer who has agreed to read customer's own meter fails to furnish a reading to Company for two consecutive billing periods, Company shall read customer's meter and assess customer a Meter Reading Charge as filed in Section 12.02, Meter Reading Charge.
- b) In cases where a meter has been read, Company, shall at customer's request, reread customer's meter. However, should the reread verify the accuracy of the regular read, Company shall assess customer a Meter Reading Charge as provided in Section 12.02, Meter Reading Charge. Should the reread of customer's meter indicate that the regular read was incorrect, Company will waive the Meter Reading Charge.

4.05 Customer Billing:

4.05.01 Information on Bill: Customers' bills will show:

- a) The beginning and ending meter reading for the billing period or the usage for the billing period obtained from an electronic meter except that an estimated billing shall disclose that it is based on estimated usage and the word "Estimated" shall appear on the bill;
- b) the date of the most recent meter reading and the date of the billing;
- c) the final date by which a payment can be received before a Delayed Payment Charge is imposed;
- d) the actual or estimated Electric Service supplied during the billing period;
- e) the comparative energy consumption for the current billing period and the comparable period a year ago;

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

(Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 12

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 12 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- f) the fuel, power or energy cost adjustment in cents per kilowatt-hour (kWh) and the total amount due;
- g) the amount due for prompt payment and the amount due after delinquency in payment;
- h) the amount of additional charges due for past due accounts, Security Deposits, collection, connection, disconnection or reconnection charges, installment payments, estimated billing adjustments, and other utility charges authorized by the Commission;
- i) for customers on the Average Payment Plan, the dollar amount of overage or underage of amount paid to date as compared to the cumulative amount calculated under Company's normal billing process for the same period;
- j) the monthly amounts due from customers paying down an arrearage under the Cold Weather Rule or other payment plans;
- k) the total amount due for the current billing period;
- l) the amount due for franchise fee, state and local sales taxes or other surcharges stated separately, unless otherwise ordered by the Commission; and
- m) the address and telephone number of Company's office where customer may make a report, inquiry or complaint concerning a disputed bill, service rendered, account delinquency or termination of Electric Service.

Issued _____
Month Day Year

Effective _____
Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 13

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 13 of 27 Sheets

GENERAL TERMS AND CONDITIONS

4.05.02 Charges for Special Services: Company may include on the bill for utility related services other charges for special services. Special services are those not authorized by tariff or otherwise specifically regulated by the Commission, such as the sale of merchandise, insulation or services performed in connection therewith. Charges for special services shall be designated clearly and separately from charges for utility services.

4.05.03 Billing Adjustments:

- a) Any adjustment to a previous bill which was based on estimated usage or a meter reading by customer will be shown on the bill. The adjustment shall be calculated for bills rendered during the period between the prior and most recent meter readings by Company. The adjusted bill shall show the credit due to customer or the balance due and payable to Company. Any credit due to customer may be applied as credit to customer's subsequent bills.
- b) However, if the amount is greater than the amount specified in Section 12.03, Credit Due Amount, and customer so requests, the amount will be refunded. If balance is due and payable to Company, customer may, upon request and approval of Company, pay the amount in equal monthly installments over a period of time equal to the adjusted billing period. In no case will an adjustment to an estimated bill be made for an amount which is less than the amount specified in Section 12.10, Adjusted Bill Amount.

4.05.04 Prorated Bills:

- a) Unless otherwise provided for in the application Rate Schedule or Rider, customer's Electric Service bills will be prorated for connections, disconnections or rerouting of meter routes if the billing period is less than 26 days or more than 36 days.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

SCHEDULE GT&C

(Name of Issuing Utility)

Replacing Schedule GT&C Sheet 14

WESTAR SERVICE AREA

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 14 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- b) Unless otherwise ordered by the Commission, Company shall prorate customer's bill during the billing month rates or tariffs become effective.
- c) If Company has an approved energy cost adjustment mechanism or purchased power adjustment mechanism or Rate Schedule providing for the adjustment of fuel and purchased power, proration of these charges will be at Company's option. If Company elects to prorate these charges, then each adjustment factor and the estimated usage associated with the adjustment factor must be shown on the bill.

4.05.05 Delayed Payment Charge:

- a) If the bill becomes delinquent, a Delayed Payment Charge in an amount equal to 2 percent of the delinquent amount owed for current Electric Service will be added and Company may initiate any collection efforts.
- b) Non-Residential customers who are unable to make timely payment of bills before the delinquency date due to internal bill paying procedures will be given an opportunity to receive a copy of each bill at a second location at no additional cost. Moreover, if a non-Residential customer chooses, Company will allow an additional 14 days in which to pay monthly bills before they become delinquent provided that customer agrees to pay a fee each month equal to one percent of the amount owed for current utility service. Customer's service agreement will be canceled upon Non-Residential customer's request or upon customer's failure to pay any bill before the extended delinquency date. Once canceled, no new agreement with the same customer will be permitted.

4.05.06 Partial Payment: If customer makes partial payment for the total bill, payment will be credited first to the balance outstanding for Electric Service beginning with the oldest service debt, then to additional utility charges, such as disconnection or reconnection charges, and then to special charges.

Issued _____
Month Day Year

Effective _____
Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

(Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

(Territory to which schedule is applicable)

Replacing Schedule GT&C Sheet 15

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 15 of 27 Sheets

GENERAL TERMS AND CONDITIONS

4.05.07 Combined Payment for Several Meters:

- a) Company may make an agreement with customer not to assess the Delayed Payment Charge otherwise applicable if customer:
 - i) assumes responsibility for payment of multiple utility bills from Company which become due on different dates in the month;
 - ii) notifies Company in writing setting forth the location where such Electric Service is rendered including the respective names in which the accounts are carried; and
 - iii) intends to make payment of all bills on or before the delinquency date of any one of such accounts.
- b) Company shall have no obligation under this subsection 4.06.07 if customer fails to make payment within the time limit of the one account specified in customer's notice to Company.
- c) If payment is not made within the time selected for payment of the bill, then Company shall collect Delayed Payment Charges as required in Section 4.05.05 on the basis of each single billing. Company's agreement with customer shall automatically be canceled after the third time the Delayed Payment Charge is assessed against customer during any consecutive 12-month period.

Issued _____
Month Day Year

Effective _____
Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 16

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 16 of 27 Sheets

GENERAL TERMS AND CONDITIONS

4.05.08 Meter Readings Not Combined: Each class of Electric Service at each separate location supplied will be metered and billed separately. When more than one meter or metering facility is set at one premise for customer's convenience, or when customer has Electric Service at different premises, the readings of the separate meters will not be combined for billing purposes unless the applicable Rate Schedule provides otherwise. When more than one meter or metering facility is set for Company's convenience, the readings of the separate meters may be combined for billing purposes.

4.05.09 Correction of Erroneous Bills: In the event of an error in billing, Company shall issue a corrected bill. The corrected bill shall show the adjusted amount due or amount to be credited. Any amounts paid by customer on the erroneous bill shall be shown as a credit on the corrected bill. However, if the amount is greater than the amount specified in Section 12.03, Credit Due Amount, and customer so requests, the amount will be refunded. No corrected bill shall be issued for a period exceeding 12 months, unless the date of the error can be determined in which case the correction shall be computed back to but not beyond such date. No correction for erroneous bills need be made for amounts equal to or less than that specified in Section 12.04, Bill Error Amount.

4.06 Average Payment Plan:

4.06.01 Availability: Upon mutual agreement between customer and Company the Average Payment Plan (APP) is available to any customer who qualifies for Electric Service under Company's Residential Electric Service and Small General Service rate schedules and Churches on any rate schedule.

4.06.02 Application for Average Payment Plan: Completion of Company's application for average payment shall constitute a request for Electric Service under the APP.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 17

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 17 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- 4.06.03 Calculation of Average Payment Plan monthly bills: Each month Company shall calculate customer's APP monthly bill based upon available history estimated if not known, not to exceed the prior 12 calendar months. The monthly APP bill shall be the sum of:
- a) current Net Monthly Bill, plus
 - b) previous 11 Net Monthly Bills, estimated if not known, plus
 - c) financial transactions that would impact customer's monthly bill (e.g., rebate and rebill), divided by
 - d) twelve (12), plus
 - e) Periodic Review Adjustment amount.
- 4.06.04 Average Monthly Billings: Customer's average monthly billings are due and payable as provided in Section 4.01, Payment of Bills. If such billing becomes delinquent, a 2 percent Delayed Payment Charge based upon such billing will be added. Company may terminate the APP if customer fails to pay any average monthly billing on or before its due date for 2 consecutive months. Billings to customers using the APP will contain the information specified in subsection 4.05.01, Information on Bill, and shall also show the overage or underage of the amounts paid to date as compared to the amounts calculated under Company's normal billing procedures for the same period.
- 4.06.05 Periodic Review Adjustment: A Periodic Review Adjustment shall consist of the Settlement Balance (the net accumulated difference between billings calculated under the rate schedule the customer takes Electric Service under and the billed Average Payment amounts) divided by twelve (12). The Periodic Review Adjustment shall be used for determining an increase or decrease to customer's APP bill for the twelve months following the Periodic Review. A Periodic Review may occur upon customer's request to review customer's APP or upon Company's

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 18

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 18 of 27 Sheets

GENERAL TERMS AND CONDITIONS

review of customer's account (e.g., as a result of edits in Company's billing system). Company shall review each customer's APP at least annually. The Periodic Review, upward or downward adjustments, may result from, but are not limited to, rate changes, variations in usage, or weather conditions. The Periodic Review Adjustment shall be limited to an increase or decrease of 30% of customer's APP amount. Company and customer may mutually agree to provide for a greater Periodic Review Adjustment amount.

4.06.06 Termination of the Average Payment Plan: Final settlement occurs only when participation in the APP is terminated. Termination may occur at the request of customer or if there is a 60-day arrearage at time of billing or pursuant to any of the provisions in Section 5.01, Conditions for Discontinuing Electric Service. Any amount due or owing including the Settlement Balance (debit or credit) shall be included in the current bill upon termination.

4.07 Cold Weather Rule:

4.07.01 Applicability: The provisions of this Cold Weather Rule allow for special payment and disconnection procedures for any qualifying Residential customer. The rule allows a qualifying Residential customer the opportunity to retain or restore Electric Service during the designated cold weather period and enter into a payment agreement with Company. The cold weather period extends from November 1 through March 31, when the National Weather Service forecasts that the temperature will drop below 35 degrees (activating temperature) or will be in the mid 30s or colder within the following 48-hour period.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

SCHEDULE GT&C

(Name of Issuing Utility)

Replacing Schedule GT&C Sheet 19

WESTAR SERVICE AREA

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 19 of 27 Sheets

GENERAL TERMS AND CONDITIONS**4.07.02 Customer's Responsibilities:**

- a) Any Residential customer with unpaid arrearage owed to Company will qualify under the Cold Weather Rule provided customer complies with the following provisions:
- i) informs Company of the inability to pay a bill in full;
 - ii) gives Company sufficient information to develop an appropriate payment agreement;
 - iii) applies for federal, state, local, or other utility assistance funds for which customer may be eligible;
 - iv) makes an initial payment of one-twelfth of customer's arrearage and one-twelfth of customer's bill for current consumption during the most recent billing period for which Electric Service was provided, plus the full amount of any disconnection and reconnection fees, plus any applicable Security Deposit; and
 - v) enters into a payment agreement with Company setting forth the terms of customer's obligation to pay past, current, and future charges for Electric Service. Such payment agreement shall allow customer's unpaid account balance to be amortized over a period not exceeding 11 months.
- b) In addition, a payment agreement may contain arrangements mutually agreeable and individualized to customer's particular situation.

Issued _____
Month Day YearEffective _____
Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

SCHEDULE GT&C

(Name of Issuing Utility)

Replacing Schedule GT&C Sheet 20

WESTAR SERVICE AREA

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 20 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- c) Notwithstanding the requirements for an initial payment described above, Company may accept a lesser amount when it is able to verify special circumstances of need provided that the initial payment and future installments will eliminate customer's entire arrearage.

4.07.03 Company's Responsibilities: Company's responsibilities under the Cold Weather Rule are outlined as follows:

- a) Company shall mail written notice of the Cold Weather Rule once a year, at least 30 days prior to the cold weather period, to each Residential customer who is currently receiving Electric Service. In addition, Company shall also mail a notice to each Residential premise that has been disconnected during or after the most recent cold weather period and remains without Electric Service. Company shall file a copy of the notice with the Commission.
- b) In addition to the requirements of Section 5.01, Conditions for Discontinuing Electric Service, Company shall, during the first 24 hours of the 48 hour period prior to Company's termination of Electric Service, attempt to contact customer of record by telephone and make one attempt at a personal contact with customer of record on the day prior to termination of Electric Service if telephone contact on that day was not made. If customer is not contacted during the phone call(s) or the personal contact the day prior to termination of service, Company's employee shall leave a disconnect message on the door on the day prior to disconnect. There will be no charge for this service.
- c) On the day of disconnection, Company must receive a 24-hour forecast above the activating temperature from the National Weather Service. If the temperature is then forecasted to be below the activating temperature, the disconnection may not be carried out and Company must wait for another 48-hour forecast above the activating temperature and follow the same procedure prior to disconnection.

Issued _____
Month Day Year

Effective _____
Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 21

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 21 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- d) Company shall inform customer, in the telephone contact, with the normal 10 day disconnect notice prepared in accordance with Section 5.01, Conditions for Discontinuing Electric Service, the personal contact, and the additional disconnect message left on customer's door, of the following information:
 - i) that Company operates under a Cold Weather Rule and that there are opportunities for customer to avoid discontinuance of Electric Service by complying with the Customer's Responsibilities;
 - ii) that Customer must meet the requirements set forth in subsection 4.07.02, Customer's Responsibilities;
 - iii) that Company maintains a list of organizations from which funds may be available to pay utility bills;
 - iv) inform the customer of, or provide a list of all pay arrangements for which the customer may qualify. Prior to discussing any Cold Weather Rule payments over a period of fewer than 12 months, the Company shall inform the customer of the customer's right to have an Average Pay Plan for current and future consumption and to have the arrearage amount paid through an initial payment and equal installments over the next 11 months;
 - v) that Company offers a third party notification plan; and
 - vi) that formal and informal complaint procedures are available to customer prior to termination during the cold weather period. Company shall provide customer the telephone number of the Commission's Consumer Protection Office.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 22

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 22 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- e) Except as specified in Section 5.01, Conditions for Discontinuing Electric Service, Company shall not disconnect customer's Electric Service when the local National Weather Service office has forecasted the temperature to drop below 35 degrees Fahrenheit or that it will be in the mid 30s or colder within the next 48-hour period.
- f) Company will not assess customer an additional Security Deposit as a condition for qualification under the Cold Weather Rule. However, an assessment of a Security Deposit made under the provisions of the existing standards and in conjunction with the Cold Weather Rule is appropriate if amortized over the payment plan period. The Security Deposit shall not be amortized over a period less than the period stated in Section 3.02, Security Deposit.
- g) When customer contacts Company for assistance under the Cold Weather Rule or generally regarding energy conservation measures, Company shall inform customer of the long range advantages of weatherization programs and encourage customer to apply for weatherization and insulation assistance. Company shall also inform customer of the availability of an energy analysis through the Audit for Conservation Today (ACT) program, and the benefits and associated costs of the energy analysis.

4.07.04 Default: Unless subsequently cured by customer, if customer provides Company with a check, electronic payment or draft with insufficient funds for the initial payment or for any installment of the payment plan, then customer shall be in default of the Cold Weather Rule Payment Plan. A customer who defaults on a Cold Weather Rule Payment Plan shall not be eligible for an Extended Payment Plan under Section 4.08 unless customer pays Company the arrearages from the prior Cold Weather Rule Payment Plan. A customer that defaults on a Cold Weather Rule Payment Plan shall be eligible to enter into a new Cold Weather Rule Payment Plan if it complies with the provisions of subsection 4.07.02, Customer's Responsibilities. This includes making an initial payment and payment of any disconnect or reconnect charges. Once customer has been informed of the payment plans offered under the Cold Weather Rule, any payment plan that is

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

SCHEDULE GT&C

(Name of Issuing Utility)

Replacing Schedule GT&C Sheet 23

WESTAR SERVICE AREA

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 23 of 27 Sheets

GENERAL TERMS AND CONDITIONS

negotiated by customer and Company shall be considered to be a Cold Weather Rule Payment Plan. However, a customer with a payment plan of less than 11 months shall not be in default of that payment plan if the payments made prior to customer's default are equal to or greater than the amount that would have been required under an 11-month payment plan.

4.07.05 Cure of Default:

a) Customer may cure a default of a payment agreement caused by:

- i) making an initial payment as required in subsection 4.07.02, Customer's Responsibilities;
- ii) paying all disconnection and reconnection charges incurred as a result of the default; and
- iii) complying with all other provisions of the Cold Weather Rule. Any charges for Electric Service incurred during customer's default shall be included in the payment agreement between Company and customer.

b) Customer may cure default caused by theft or diversion of Electric Service by:

- i) paying for the value of the Electric Service diverted, estimated based on historic use;
- ii) making an initial payment as required under subsection 4.07.02, Customer's Responsibilities;
- iii) paying all disconnection and reconnection charges incurred as a result of customer's default; and

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 24

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 24 of 27 Sheets

GENERAL TERMS AND CONDITIONS

iv) complying with all other provisions of the Cold Weather Rule. All other charges, costs, damages, and Security Deposits provided for under Company's General Terms and Conditions when customer has tampered or fraudulently used Company's facilities shall be included in the payment agreement between Company and customer.

4.07.06 Renegotiation of Cold Weather Rule Agreement: Customer may contact Company and renegotiate its Cold Weather Rule payments if customer receives utility or other lump sum assistance.

4.07.07 Disconnections under the Cold Weather Rule: The Company may disconnect customers Electric Service after proper notice is given pursuant to the provisions detailed in Section 5 Disconnection of Electric Service. The disconnection provisions are modified during the Cold Weather Rule period as follows:

- a) Company may disconnect customer when customer causes or permits unauthorized use, interference, tampering or diversion of Electric Service (meter bypass) on or about customer's premises
 - i) after a 48 hour written or 24 hour oral disconnection notice is provided to customer with the telephone number of the Commission's Protection Office, or
 - ii) 10 days after a disconnection notice is sent, whichever is quicker.
 - iii) Electric Service must be restored as soon as possible, using every commercially reasonable effort, after full payment has been made by customer for the diversion charges.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 25

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 25 of 27 Sheets

GENERAL TERMS AND CONDITIONS

- b) Company may disconnect when customer misrepresents their identity or provides false information for the purpose of obtaining or retaining Electric Service:
 - i) after a 48 hour written or 24 hour oral disconnection notice is provided to customer with the telephone number of the Commission's Protection Office, or
 - ii) 10 days after a disconnection notice is sent, whichever is quicker.
- c) Company may disconnect when a customer tenders an insufficient funds check or electronic payment for the initial payment or an installment payment under a Cold Weather Rule payment plan and does not cure the insufficient payment within the 10-day notice period after a disconnection notice is sent regardless of temperature.

4.08 Extended Payment Plan:

- A. A payment plan similar to the Cold Weather Rule payment plan is available to Residential customers with arrears during non-Cold Weather Rule periods. Customer will have up to 12 months to pay off an arrearage with the initial payment being one-twelfth of the sum of the arrearage plus the bill for consumption during the most recent billing period for which Electric Service was provided. Customer must pay off any arrearage from a previous Cold Weather Rule plan or Extended Payment Plan before entering into this plan. Company must inform customers of this option.
- B. Extended Payment Plan monthly billings are due and payable as provided in Section 4.01, Payment of Bills. A 2 percent Delayed Payment Charge based upon such billing will be added if an Extended Payment Plan monthly billing becomes delinquent. Company may terminate an Extended Payment Plan if customer fails to pay any Extended Payment Plan monthly billing on or before its due date.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

SCHEDULE GT&C

(Name of Issuing Utility)

Replacing Schedule GT&C Sheet 26

WESTAR SERVICE AREA

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 26 of 27 Sheets

GENERAL TERMS AND CONDITIONS

C. Extended Payment Plan billing will contain the information specified in subsection 4.05.01, Information on Bill.

4.09 Third Party Notification: Upon mutual agreement between Company, customer and any interested third party, Company will notify such third party when customer's bill becomes delinquent. The purpose of this agreement is to afford customer all available methods to maintain the account balance on a current basis and retain Electric Service. Other than providing notice, Company shall have no responsibility to the third party and the third party shall have no obligation to pay customer's delinquent bill.

4.10 Charges For Work Done On Customer's Premises By Company: Except as provided in Section 6, Customer's Service Obligations, Company shall charge customer for all materials furnished and work done on customer's premises beyond the Point of Delivery. Company shall charge customer once the investigation of a suspected unsafe condition is completed. Unless the unsafe condition on customer's premises is a result of Company's negligence, then no such charges shall apply to customer. Any charge shall be based upon Company's existing schedule of charges. Company shall not charge customer for replacement or repair of equipment furnished and owned by Company on customer's premises unless the repairs or replacements were caused by customer or customer's agent's negligence or misuse.

4.11 Rate Change Notice: Company shall provide general information explaining overall changes in rates to customers through bill inserts or direct mail when new rates are implemented due to a rate proceeding.

4.12 Seasonal Disconnect Service: Billings shall be on a year-around basis for customers unless the individual Rate Schedule or Rider under which customer takes Electric Service provides otherwise. The customer charge in the rate schedule shall apply during the off-season months when no Electric Service is used for those customers whose Electric Service requirements are seasonal. Examples of those customers include, but are not limited to, outdoor theaters, drive-ins, amusement parks, sport centers, golf courses, driving ranges, gun clubs, saddle clubs, swimming pools, etc.

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

(Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 27

(Territory to which schedule is applicable)

which was filed January 21, 2009 April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 27 of 27 Sheets

GENERAL TERMS AND CONDITIONS

4.13 Customer Requested Information Charge: Customer or customer's consultant shall pay Company the cost of reviewing its records, time spent calculating potential refund and on discussions with customer, consultant or the Kansas Department of Revenue regarding customer's sales tax exemption application plus applicable overheads. However, in no event shall customer pay less than the Customer Requested Information Charge, as filed in Section 12.13, for processing sales tax exemptions. The charge does not apply to requests by customer for billing history. In no event shall the charge exceed the customer's total sales tax refund. In addition, the charge shall only be deducted from customer's actual sales tax refund.

Issued _____
Month Day Year

Effective _____
Month Day Year

By _____

Jeffrey L. Martin, ~~Executive Director~~ Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY
 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 1

(Territory to which schedule is applicable)

which was filed April 18, 2012

Deleted: January 21, 2009

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 1 of 1 Sheets

GENERAL TERMS AND CONDITIONS

12. SCHEDULE OF MISCELLANEOUS CHARGES AND AMOUNTS

12.01	Connection Charge (Re: 2.01.02, 8.02.06)	\$ 5.00
12.02	Meter Reading Charge (Re: 4.04.03 & 4.04.05)	\$10.00
12.03	Credit Due Amount (Re: 4.05.03 & 4.05.09)	\$10.00
12.04	Bill Error Amount (Re: 4.05.09, 2.06.02)	\$ 2.00
12.05	Collection or Disconnection at Meter Charge (Re: 5.07)	\$15.00
12.06	Reconnection at Meter Charge (Re: 5.08)	\$20.00
12.07	Insufficient Funds Charge (Re: 4.03)	\$30.00
12.08	Insufficient Funds Service Charge (Re: 4.03)	\$30.00
12.09	Adjustment of Bills for Meter Error (Re: 9.05 B (2))	\$ 2.00
12.10	Adjusted Bill Amount (Re: 4.05.03)	\$ 2.00
12.11	Meter Test Charge (Re: 9.05 B(7))	\$30.00
12.12	Service Limiter Charge (Re: 5.09)	\$10.00
12.13	Customer Requested Information Charge (Re: 4.13)	\$20.00
12.14	Lock Ring Charge (Re: 5.10)	\$48.00
12.15	Credit, Debit Card Fee <u>per transaction amount for C&I customers</u> (Re: 4.03 D)	<u>3.5%</u>
12.16	Disconnection of Service at Pole or Pedestal (Re: 5.07)	\$20.00
12.17	Reconnection of Service at Pole or Pedestal (Re: 5.08)	\$30.00
12.18	Reconnection of Service Due to Meter Tampering and/or Diversion (Re: 5.08)	\$55.00

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 Deleted: 2009
 Deleted: Executive Director

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____
 Jeffrey L. Martin, Vice President

Index _____

THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY
 (Name of Issuing Utility)

SCHEDULE GT&C

WESTAR SERVICE AREA

Replacing Schedule GT&C Sheet 1

(Territory to which schedule is applicable)

which was filed April 18, 2012

Deleted: January 21, 2009

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Sheet 1 of 1 Sheets

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12.12	Service Limiter Charge (Re: 5.09)	\$10.00
12.13	Customer Requested Information Charge (Re: 4.13)	\$20.00
12.14	Lock Ring Charge (Re: 5.10)	\$48.00
12.15	Credit, Debit Card Fee <u>per transaction amount for C&I customers</u> (Re: 4.03 D)	<u>3.5%</u>
12.16	Disconnection of Service at Pole or Pedestal (Re: 5.07)	\$20.00
12.17	Reconnection of Service at Pole or Pedestal (Re: 5.08)	\$30.00
12.18	Reconnection of Service Due to Meter Tampering and/or Diversion (Re: 5.08)	\$55.00

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 Deleted: 21
 Deleted: 2009
 Deleted: Executive Director

Issued _____
 Month Day Year

Effective _____
 Month Day Year

By _____
 Jeffrey L. Martin, Vice President

The logo for CDS Global features the text "CDS Global" in a bold, sans-serif font. "CDS" is in a vibrant green color, while "Global" is in black. A thin, curved green line arches over the top of the word "Global".

CDS Global

A Hearst Company

Meeting Customer Expectations

Do utility billing and payment capabilities measure up?

Meeting Customer Expectations

Do utility billing and payment capabilities measure up?

A September 19, 2013, Energy Central/Intelligent Utility webcast sponsored by CDS Global examined the billing and payment functionality that customers demand and the operational benefits that utilities will derive from meeting or exceeding customer expectations. Presentations were made by Dennis Smith with J.D. Power and Associates, Dave Fields with CDS Global, and Solomon Fields (no relationship to Dave Fields) with Lubbock Power & Light (LP&L) followed by a question and answer period.

Studies show significant linkages between utility customer satisfaction and electronic bill payment and communication methods. According to JD Power's 2012 Electric Utility Residential Customer Satisfaction Study, "Satisfaction is notably higher among customers who use electronic billing and payment; are provided outage information by email, text or mobile applications; visit their electric utility company website; or recall a message sent to them via email, website or social media platform."

**“CUSTOMERS
DESIRE A
CONSISTENT
EXPERIENCE
ACROSS BILLING
AND PAYMENT
CHANNELS.”**

Customers desire a consistent experience across billing and payment channels; convenient, secure, easy, and speedy transactions; and the ability to interact with their utility using the communication channels and payment methods of their choosing. Customers are not comparing their utility to other utilities. The online customer experience bar is being set by companies like Amazon, Apple, and American Express and a seamless billing and payment system is essential. An integrated system also generates utility-specific benefits in terms of scalability, security, data quality, cost savings, and exception management.

Kim Gaddy, senior analyst and consultant at the Utility Analytics Institute kicked off the webcast with an introduction of the speakers and an overview of the session's topic as follows.

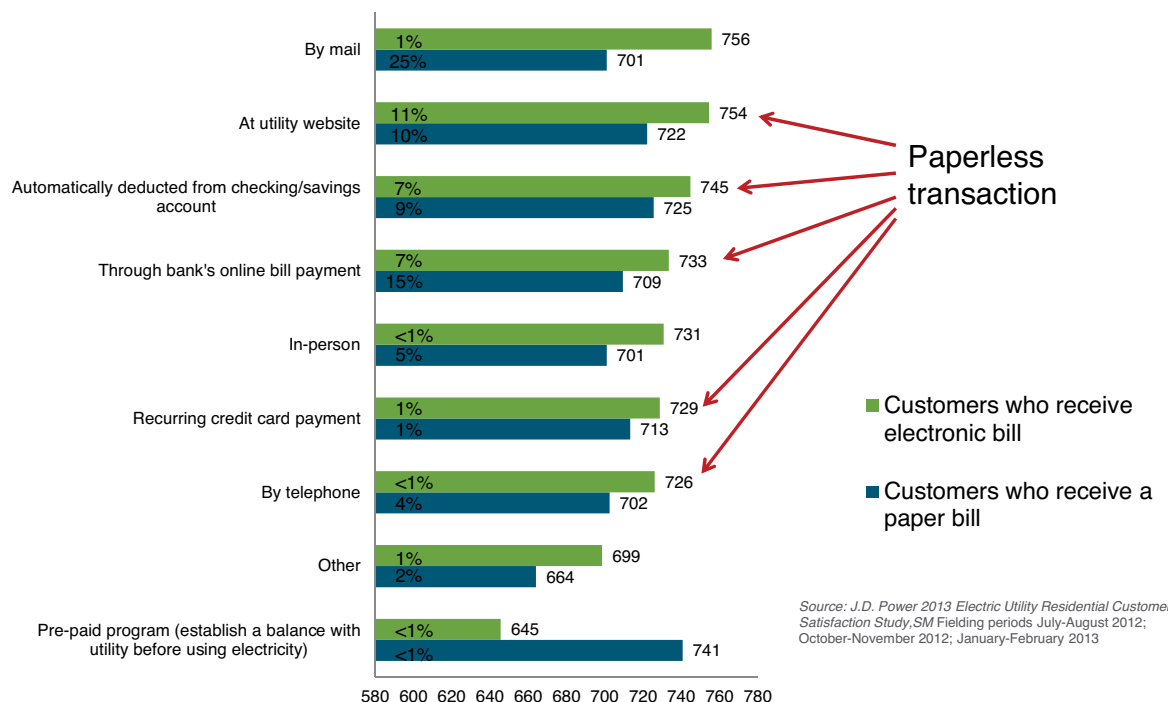
Introduction of Speakers

Dennis Smith, director of the energy practice at J.D. Power and Associates. Smith is responsible for thought leadership, understanding best practices and trends, and developing insights using J.D. Power’s customer satisfaction data. He reviewed findings from J.D. Power’s research and examined how the utility billing and payment experience impacts customer satisfaction.

Dave Fields – AAP, CTP, product manager of payment solutions at CDS Global. CDS Global is a leading provider of electronic and paper-based payment processing and document presentation solutions. Fields holds AAP and CTP payment industry certifications. He leads product planning, roadmap development, and lifecycle management of CDS Global’s Remittance and Donation Processing (Lockbox) and Electronic Bill Presentation and Payment (EBPP) solutions. His presentation focused on the billing and payment challenges faced by utilities and some best practices for addressing these challenges.

Solomon Fields, utility system support manager at LP&L. Solomon Fields has 29 years of experience managing collections, customer service, and utility support operations at LP&L. In his current role, he has led the implementation of a number of software packages and systems including a bill presentation and payment system in partnership with CDS Global. His presentation reviewed a real life LP&L billing and payment success story that yielded substantial customer satisfaction and operational benefits.

Billing & Payment Satisfaction by Current Channels Electric Residential Customers



Webcast overview

Gaddy introduced the session by describing how customer expectations are rising and the growing complexity of meeting these expectations. Customers want multiple billing and payment options and a consistent experience across convenient and secure billing and payment channels.

“The all-important customer first impression with a utility’s portal or mobile application will likely be formed during a billing and payment interaction. This perception, the one that’s formed during this interaction, will likely be a lasting one and could impact a customer’s decision to use other electronic interaction options offered by their utility and could impact the utility-customer relationship overall” said Gaddy.

Gaddy then turned her attention to operational efficiency. Meeting growing customer expectations in an operationally efficient manner is not easy. Gaddy reviewed factors that impact efficiency: 1) EBPP adoption rates 2) Inconsistent or inaccurate information drive higher call volumes and call times 3) Ineffective management of fluctuating payment volumes 4) Inefficient exception management, and 5) Delays in posting payments negatively impact cash flow. Gaddy described some of the potential positive outcomes and negative consequences that can emerge from the billing and payment process.

“THERE ARE MANY PIECES TO THE BILLING AND PAYMENT PUZZLE.”

Positive Outcomes

- **Customer satisfaction**
- **Positive first impressions**
- **Customer adoption**
- **Accurate, consistent information to customers and CSRs**
- **Improved cash flow**
- **Payment industry standards compliance**

Negative Consequences

- **Low customer satisfaction**
- **Low customer adoption of e-channels**
- **High exception rates, poor error detection**
- **Inconsistent, inaccurate information to customers and CSRs**
- **Slow, inflexible, inefficient processes**
- **Compliance issues**

Gaddy concluded by saying “There are many pieces to the billing and payment puzzle. Billing and payment processes must not only meet customer expectations; they must be scalable and secure, founded on accurate and timely data, and compliant with payment industry security standards.”

Measuring the customer experience

Dennis Smith began his remarks by introducing J.D. Power and Associates, a global customer satisfaction firm that measures customer sentiment. J.D. Power helps industries like utilities hear and understand the voice of the customer and improve the customer experience. His presentation reviewed the results of several J.D. Power Studies including some billing and payment best practices identified by J.D. Power. “The really big story here is what utilities are doing to move customers to paperless billing and payment, how customers are responding, and how that is impacting overall customer satisfaction” said Smith.

Customer satisfaction research

J.D. Power’s 2013 Electric Utility Residential Customer Satisfaction Study (Electric Residential CSAT Study) and 2013 Gas Utility Residential Customer Satisfaction Study (Gas Residential CSAT Study) reveal that the “Billing and Payment” experience is a major influencer impacting overall customer satisfaction.

Electric Residential	Factor Weight	Gas Residential	Factor Weight
Power quality and reliability	27%	Billing and payment	29%
Price	22%	Price	25%
Billing and payment	19%	Corporate citizenship	20%
Corporate citizenship	13%	Communications	18%
Communications	13%	Field service	4%
Customer service	6%	Customer service	4%

These Studies and J.D. Power’s weighted model were used to determine the factor weights. For electric utility business customers, the factor weight for “Billing and Payment” was also 19 percent, and the factor weight for gas utility business customers was 23 percent.

Bill payment trends

Smith reviewed the five-year bill payment method trends for electric and gas residential customers shown below (excluding customers that walk-in to make payments or pay via some other channel).

Bill Payment Method	Electric Residential	Gas Residential
Pay by mail	27%	29%
Auto deducted from checking/savings account	17%	18%
Pay at utility website	21%	Not provided
Pay through bank’s online bill payment	22%	22%

“We’ve observed a gradual but steady migration toward electronic payment channels. The biggest movement is the sharp decline in the number of customers paying by mail. We’ve seen slight growth in customers paying bills at the utility website and steady growth in the number of customers getting their payments auto deducted from their checking or savings accounts. There is a good bit of growth in the number of customers who are going through their bank online site to pay their utility bill” said Smith.

**“WE’VE
OBSERVED A
GRADUAL BUT
STEADY MIGRATION
TOWARD
ELECTRONIC
PAYMENT
CHANNELS.”**

J.D. Power noticed similar patterns with business customers though adoption of electronic channels has occurred more slowly (40 percent of electric and 45 percent of gas business customers still pay by mail). Smith said “What is growing is the use of electronic payment channels, specifically bank online bill payment.” The percentage of business customers that pay at the utility website, and the percentage that have payments auto deducted from bank accounts have remained steady over the past five years. Ten percent of electric business customers and 9 percent of gas customers pay at the utility website. Sixteen percent of both electric and gas business customers have their payments auto deducted.

“CUSTOMER SATISFACTION IS GENERALLY HIGHER AMONG THOSE USING A FULLY PAPERLESS TRANSACTION.”

Correlating customer satisfaction and payment channels

Smith shared a further breakdown of J.D. Power’s customer satisfaction data based on a 1000-point scale and J.D. Power’s weighted factor described earlier. He outlined electric residential customer billing and payment satisfaction for each payment channel. While he did not develop such a breakdown for the Gas Residential CSAT Study or the two business studies referenced earlier, Smith stated that “I believe those studies would show a similar pattern.” The goal of this analysis was to provide a true picture of how paperless billing and payment, the full paperless transaction, impacts customer satisfaction.

The analysis produced some interesting findings. Few customers, only one percent, receive their utility bill electronically and pay by mail and this percentage is likely to decline though satisfaction is high among this group, scored at 756. “Customer satisfaction is generally higher among those using a fully paperless transaction; they receive bills electronically and pay bills at the utility website, have payments auto deducted from their bank account, or pay at the bank” said Smith. This analysis measured customer billing and payment satisfaction versus overall satisfaction. Billing and payment satisfaction impacts overall customer satisfaction at the rates described earlier: 19 percent for electric residential and business customers, 29 percent for gas residential and 23 percent for gas business customers.

Smith highlighted two other payment channels with high customer satisfaction rates. While only one percent of customers pay using recurring credit card payment, billing and payment customer satisfaction for these customers is high at 729. An even smaller percentage, less than one percent, receive an electronic bill and pay by phone though those that do are much more satisfied than those that pay by phone and still receive bills in the mail.

“When utilities drive customer adoption of electronic channels, it is not only good for the operational side of the business; it is also good for customer satisfaction” stated Smith.

Additional insights

Smith reviewed some billing and payment-related insights from recently conducted J.D. Power Studies.

- **2013 J.D. Power Customer Engagement Study:** This Study examined customer awareness of and participation in utility programs and services as well as the overall level of customer engagement. Electronic billing was by far the most commonly known and widely adopted utility product or program. Fifty-one percent of customers were aware of electronic billing, and participation was the highest when compared to all other utility programs and services.
- **2013 J.D. Power Utility Website Evaluation Study:** This annual Study found that customer satisfaction with utility websites is driven by two tasks: 1) the ability to review account information, and 2) the ability to make a payment. Customers expect to be able to go online, log on, find out how to pay their bill online, and make a payment with ease.
- **2013 J.D. Power Customer Impact Report, Paperless Billing and Payment Programs:** This Report found that customers are least satisfied with utility smartphone tablet applications for bill payment. While less than one percent have paid their bill in this manner, the data shows that the industry has stumbled out of the gate in an attempt to offer more user-friendly billing and payment programs via smartphone applications and mobile channels. When customers auto pay via the utility website, customer satisfaction scored 760 versus 726 when customers auto pay via credit card. When customers pay via a smartphone or tablet application, the customer satisfaction score dropped to 714, three percentage points below the overall index.

Overall utility industry observations

- **Customers are shifting to electronic billing and payment.** Electric and gas utility customers are adopting EBPP, and the rate of increase has been more dramatic over the past five years.
- **Customer satisfaction is rising.** EBPP has positively impacted billing and payment satisfaction. When customers pay or receive their bills electronically, they are more satisfied.
- **Electronic presentation of information needs improvement.** “When doing the research for the 2013 J.D. Power Customer Impact Report, Paperless Billing and Payment Programs, we noticed that our attributes for presentation of the information on the bill were dipping while other attributes were rising as more customers move to online billing and paperless bill presentment” said Smith. The overall score is based on customer ratings of these attributes using a 10-point scale. This signals that utilities need to do better job of presenting information electronically.
- **Customers want more electronic payment options.** More and more customers prefer electronic channels and desire more options for paying bills electronically.
- **Mobile channels are slow to emerge.** Few customers have considered using mobile channels.

“MORE AND MORE CUSTOMERS PREFER ELECTRONIC CHANNELS AND DESIRE MORE OPTIONS.”

“THE OVERALL TRENDS IS THAT CUSTOMER SATISFACTION IS INCREASING.”

Common characteristics and best practices

J.D. Power looked at 25 utilities, 13 electric and 12 gas, and identified some common characteristics shared by utilities with high billing and payment index scores and high customer adoption of billing and payment programs. Some common themes emerged:

- **No customer convenience fees.** Ten offered fee-free credit card or debit card acceptance at the utility website. Programs and approaches varied. Some required electronic account enrollment by customers while others offered to fee-free credit card transactions to all customers.
- **One-time payments at the utility website.** Utilities with high adoption rates offered customers the ability to enroll accounts, make a payment, and manage accounts online. Sixteen utilities supported one-time payments at the utility website without the need for account registration.
- **Customized due dates.** Seven of the high performers offered customers the ability to pick their due date and not only for paperless billing and payment. “Customers love that” said Smith.
- **Good communications and marketing.** Good customer communications and proactive program marketing characterizes utilities enjoying significant customer participation and program enrollment rates. Eight utilities offered reminder and notification programs (e.g. customers go online and sign up to receive an email or a text when their bill or usage reaches a certain level).

Smith said “There are a lot of good things happening. The overall trend is that customer satisfaction is increasing, and billing and payment is playing a major role. I believe that’s because utilities are offering customers more options to view and pay their bills. I hope this is a trend that we will see continue.”

Billing and payment challenges and best practices

Dave Fields kicked off his presentation by introducing CDS Global, a leading provider of order management, marketing services, and payment processing-related solutions across multiple industries. The company’s payment solutions address the comprehensive billing and payment processing needs of utilities from paper-based remittance processing and mailing services to e-billing and e-payments.

Dave Fields’ presentation highlighted some of the billing and payment challenges that CDS Global has encountered in working with utilities and the benefits of an integrated billing and payment solution. He broke utility challenges down into three major categories: 1) customer expectations, 2) business imperatives, and 3) technology needs and then proceeded to discuss each of these areas in more detail.

Customer expectations

“Ultimately, customers want choice” said Dave Fields. They want multiple payment options including web, integrated voice response (IVR), mobile, text, phone, paper checks, and in person. They want multiple payment methods such as automated clearing house (ACH), credit card, debit card, and check. They desire recurring and one-time payment options and flexible payment dates.

Studies show that customers are moving frequently between payment methods and channels, likely due to the state of the economy over the last five years. Customers are finding it harder to manage their finances, and they’re doing it on a month-to-month and in some cases on a paycheck-to-paycheck basis. The ability to easily switch payment channels and payment methods is important to many customers.

Customers desire and expect to be able to use credit cards. Dave Fields concurred with the results of J.D. Power’s analysis about convenience fees. Customers simply do not want to pay convenience fees. “Our experience in the industry is that clients can use the reduced pricing offered by the Credit Card Brand Utility Programs to offer credit card payment options without attaching a convenience fee.”

Regarding customer communications, Dave Fields again agreed with the research results shared by Smith and said “Customers want help in organizing their finances, and a utility’s ability to offer customized reminders and alerts is important to customer satisfaction.”

“Finally, you are not being compared to other utilities; you are being compared to those organizations and businesses that customers have interactions with today, like Amazon and Verizon” said Dave Fields. The payment and billing experience needs to be a straight-forward and speedy process. He stated “We don’t want to bounce customers from page to page. We don’t want to make customers re-enter information. We want to provide good feedback so that the customer fully understands where they are in the process and the options available to them.”

Business imperatives

The business imperatives surrounding billing and payment processes fall into three major categories: organizational, operational, and financial according to Dave Fields as described below.

- **Organizational.** The payment space is complex, and it’s continuing to evolve as the market seeks to reduce cost and speed up the movement of funds. Keeping up with technology and regulatory changes and ensuring that everyone is properly trained on the changes occurring in the environment is difficult. Many organizations also find it hard to hire and add or replace staff.
- **Operational.** One of the primary operational challenges is scale. Scale refers to the ability to efficiently and effectively handle volume swings, both up and down. Dave Fields stated “Much like managing energy delivery and peak loads on the grid, peak demand creates specific challenges for billers and for payment processing.” Another major operational challenge for many utilities is managing vendor relationships, especially for those that have outsourced billing and payment functions to multiple vendors.
- **Financial.** Most utilities strive to move more customers to electronic billing and payment. “Electronic billing and payment has proven to lower cost, reduce resource requirements, and to improve cash flow. If done right, this will create happier customers as supported by the information shared by Dennis Smith” said Dave Fields.

**“YOU ARE NOT
BEING COMPARED
TO OTHER UTILITIES.”**

Technology needs

Supporting technologies must be flexible and adaptable. Configurable options and business rules are required. A canned solution may not be the best answer. When looking for a business solution provider, price should not be the sole decision criteria. The old adage of “you get what you pay for” often applies in the billing and payment arena. The technology employed must be user-friendly and consistent. Customers are comparing utilities to all of the other organizations that have a vested interest in providing a positive customer experience. Utilities need to be able to duplicate that experience to keep customers happy.

Dave Fields stated “As the adoption of smartphones and tablets increases, it is now virtually essential for utilities to create optimized billing and payment pages for mobile devices.” Utilities that offer or are considering mobile applications for other customer interactions should consider integrating payment functionality within these applications. A combination of optimized pages and applications may be best.

There are a host of business needs that billing and payment technologies will be required to meet. Real time transaction posting, process automation, efficient error detection, exception management, disaster recovery, consistent and accurate information 24x7, and data security are all part of the equation.

Best practices

The billing and payment environment consists of multiple interactions between the utility and its customers. That environment encompasses traditional billing and payment processes with paper statements being mailed to customers and customers returning those statements by mail with checks included. It also includes the newer digital and electronic means of receiving bills and making payments, and an integrated billing and payment process offers important advantages.

- **Bill presentment.** Working with an integrated vendor makes it possible for the utility and the vendor to rely on a single billing file. Vendors will be able to use this file to appropriately direct the distribution of bills via print, electronic, or both as required to meet customer needs.
- **Reduced risk of errors.** A single billing file also reduces the risk of errors, especially in file preparation and versioning. It is simply a lot easier to have only one file.
- **Lockbox.** When lockbox and EBPP are handled within the same system, utilities can receive a universal output file that consolidates payments, both paper and electronic. This aids in data reporting integrity and makes reconciliation much easier.
- **Consistency across channels.** Customers should be able to log on and determine when a statement was mailed, view their payment history and see where payments were made across all channels, and not only electronic channels. This requires pulling together data from multiple sources including information about how and where payments were made.
- **Customer service.** Access to a holistic view of a customer’s billing and payment history is essential if customer service personnel are to meet customer expectations and business needs.
- **Goal alignment.** Using an integrated provider for all bill presentment and payment services will help to align the goals of the utility and the provider. Both organizations will work to increase electronic adoption. If services are split among different vendors, the bill printer or lockbox provider has little incentive to move customers to electronic billing and payment methods.

“USING AN INTEGRATED PROVIDER FOR ALL BILL PRESENTMENT AND PAYMENT SERVICES WILL HELP TO ALIGN THE GOALS OF THE UTILITY AND THE PROVIDER.”

“BEST PRACTICES DEPEND ON AN INTEGRATED SOLUTION.”

In conclusion, Dave Fields stated “People, process and technology best practices depend on an integrated solution. With an integrated provider that lives and breathes payments, you gain people skills, use of the appropriate processes, and the required investments in technology (both equipment and software) necessary to optimize workflow. An integrated provider brings expertise, repeatability, and a high quality customer experience. Customer bill presentment and bill payment preferences can be addressed, and utilities should gain better insight into customer behavior. While one can argue that these goals can be achieved by outsourcing to numerous vendors, many of the benefits of an integrated solution will be lost. Fulfilling customer expectations, meeting business imperatives, and addressing technology needs is not a simple task. This job is made more difficult by wrestling with multiple source solutions. A fully integrated solution makes that job much easier.”

Lubbock Power & Light: A billing and payment case study

Solomon Fields, utility system support manager at LP&L, began his remarks by sharing more information about the utility. LP&L is a municipally-owned utility that bills and collects for electric, water, solid waste, sewer, and storm water services. The city of Lubbock, Texas has a population of over 235,000. LP&L serves approximately 100,000 customers including a large student population as Lubbock is the home of three universities; Texas Tech University, Lubbock Christian University, and Waylon Baptist University.

In late 2007, customer expectations were rising, and the utility found itself behind the times in terms of technology and bill payment. Antiquated systems processed payments and customer expectations were not being met. Customer satisfaction was extremely low, mainly due to operational inefficiencies.

Customer expectations

Customers expected to be able to pay when they wanted to pay, using the method they preferred, and desired convenient payment options. Prior to 2007, the payment options offered to customers included walk-in payments, mail-in payments, drop box payments, and bank draft ACH through the utility’s Customer Information Systems.

“Customers expected to be able to pay their utility bill just like they would pay any other retail or major credit card bill. They wanted online and IVR telephone payment options. LP&L did not offer these types of payment applications” said Solomon Fields. Customers also wanted the ability to set up re-occurring payments, schedule payments, and make one-time payments.

During peak times at the first of the month and often at the end of each month, LP&L’s business office was swamped with customers making walk-in payments. “Lines were wrapped around the building and cars were backed up into the intersection. Customers expected more from us, and we were not able to meet those expectations at that time” said Solomon Fields.

**“PAYMENT
OPTIONS WERE
LIMITED, AND
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MADE FOR AN
INEFFICIENT
OPERATION.”**

Operational inefficiencies

The batch environment that existed meant that payments were grouped together and posted periodically. LP&L wanted to provide customers with real time balance information and the ability to view balance changes as activity hit their account and as updates occurred based upon payments coming in and being processed. Payment options were limited, and timing issues made for an inefficient operation. The utility required a system able to interact with the utility's CIS. If a payment was received from a vendor, a third party, or from a payment center, LP&L wanted customers to be able to go online or go to the IVR and confirm that their account balance had been lowered by their payment amount.

Significant time and effort was spent posting paper and electronic payments received from customers that paid their bill using their bank's online bill payment service. "We discovered that even when customers paid electronically via a bill vendor or Bill Pay USA for example, that institution would often send us a paper check. They may have deposited the check electronically into our depository account, but we were still receiving paper documents in order to post it into our CIS. These types of issues drove manually-intensive payment research and process inefficiencies that needed to be resolved."

Project goals

LP&L set out to address customer expectations and to implement a cost-effective solution and technologically-advanced solution. The utility required flexible, easy-to-use, and convenient payment options enabling customers to pay when, how and where they preferred. The utility wanted to increase self-service options and provide customers with access to real time and accurate account and balance information 24 hours a day, 7 days per week, and 365 days a year.

The solution

LP&L partnered with CDS Global to implement an integrated solution. The utility sought to leverage technological applications, support electronic data interchange, and multiple payment channels and options. It looked for a partner able to adapt to a growing industry versus one that had stagnated or seemed to have settled for a particular market niche. The utility satisfied these objectives through the implementation of the CDS Global solution.

A dedicated website was established and branded with the company's logo and image so that it looked almost seamless to customers. The new solution supports bank draft, ACH through the utility's website. Online payment capabilities are provided through CDS Global. "LP&L does not charge convenience fees. We use the utility allowance to MasterCard and VISA" said Solomon Fields. Customers may also pay by telephone using the CDS Global IVR system and can continue to pay by mail if desired.

The CDS Global system integrates directly with LP&L's CIS for online bill payment and presentation. In terms of bill presentation, LP&L has 21 billing cycles and bills nightly. A bill print file is sent to CDS Global, and it puts bill statements into a PDF format so that customers can view their statements electronically. This has enhanced customer satisfaction and many customers see the electronic form of their statement before they see their paper statement.

The online banking and reporting tools provided by CDS Global are important components of the overall solution. These tools are used by the utility's accountant for account reconciliation and to view daily balance reports, and to make needed updates to accounts. For example, customer accounts occasionally have incorrect numbers coming in from other consolidators. CDS Global's EZ Post service aggregates payments from online bill pay services and enables easy detection of incorrect account information. In the past, consolidators would send multiple files, and a LP&L resource actually had to be designated to manually post these payments. This process is now fully automated.

Benefits realized, customer expectations met

The results obtained by LP&L as a result of this project have been substantial and are detailed below.

- Forty-five percent of LP&L's customers now use electronic payments, and that's slightly higher than J.D. Power's results for the industry as a whole.
- Walk-in payments have declined 53 percent enabling closure of the utility's branch operation.
- Mailed payments have been reduced by 43 percent. Prior to the implementation of online and IVR payment capabilities, mail-in cashiers handled roughly 91 percent of the utility's payments.
- Customer satisfaction has increased, and the effort continues. "When the website was first launched, customers began to use it immediately and like gangbusters. They were excited by the new capabilities, and use of the website has been growing ever since" said Solomon Fields.
- The solution is supporting new customer service options. For example, customers can sign up for "Project Help" and donate funds to assist those less fortunate and help them pay their bills.

In summary, Solomon Fields stated "From reconciliation to reporting, Lubbock Power & Light has gained a lot of internal benefits from this solution and has fulfilled many customer expectations along the way."

Future plans

Solomon Fields shared some of LP&L's future plans. He said "We're going to continue to adapt to customer expectations. Now that we have given customers online bill payment and IVR, they expect even more. They expect more information and faster turnaround on their requests. We will continue our efforts to address the increasing expectations of our customers."

Plans for 2014 include:

- **Paperless bill presentation.** Customers will be given the option to turn off paper bills.
- **Integration of the utility's website with a customer self-service application.** This will increase self-service capabilities and help to reduce the number of customer calls to the call center.

In conclusion, Solomon Fields stated "Lubbock Power & Light is looking to do bigger and better things. This may include bill statement or website redesign. The goal is to make the customer experience an even more pleasant one."

“WE ARE GOING TO CONTINUE TO ADAPT TO CUSTOMER EXPECTATIONS.”

**“CUSTOMERS
HAVE BEEN VERY
SATISFIED.”**

Questions and Answers

The three speakers agreed to take questions from the audience and the following is a sampling of the questions asked and responses given.

Which computer information systems does CDS Global currently support?

Dave Fields: Utilities employ many different systems. We approach each client and each of these systems individually. We work with clients to develop a strategy and build custom integrations as needed if that is the route that the client wishes to pursue.

What was the greatest operational impact realized from implementing electronic payment?

Solomon Fields: The most significant operational impacts were related to the branch office closure and meeting customer expectations. Customers have been very satisfied and they are no longer standing in long lines to make a payment. Of course, it does not end there. There are new expectations. So it's a case of having satisfied one challenge, but other challenges are ahead.

What percentage of staff reduction do you envision as a result of e-billing and e-payment?

Solomon Fields: When we closed our branch office, we reduced at least three staff. I'm not sure how much more we will be able to reduce our staff when we go to paperless billing.

Does J.D. Power have data about commercial and industrial customers?

Smith: We do. My presentation today focused more on residential. We are launching a new Key Accounts Study, and the results will be available in the coming year. Utilities that are interested in that information can contact me, and I will put you in touch with your account representative.

What was the interface that allowed payment consolidators to post payments automatically?

Solomon Fields: It's called EZ Post, CDS Global's EZ Post application.

Was an increase in returned payments noticed?

Solomon Fields: We noticed an increase in return items mainly due to incorrect account numbers versus non-sufficient funds (NSF). Return items tend to be seasonal and directly related to collection activity. While we initially saw an increase in return items, our customers soon learned that NSF electronic items are very time sensitive. Monthly bill statements include a notice advising customers that paper checks will be converted to ACH for processing. We rely on normal collection activity such as return item fees and the ability to indicate that a customer is on a cash-only basis. We do not have a specific campaign designed to decrease return items.

“THE MORE CHOICES YOU CAN OFFER TO CUSTOMERS THE BETTER.”

Has J.D. Power looked at customer satisfaction using mobile sites vs. mobile applications?

Smith: We did not do so last year. In our most recent research, we strictly asked about smart-phones so we did not distinguish between the two. We will be comparing the two in our ongoing studies and should have some information and results available early next year.

What percent of customers receive e-bills at a banking website vs. other electronic method?

Smith: We asked customers how they receive their bill, traditional paper form or paperless via email or the internet. We did not ask if they received e-bills at a banking website or via another electronic method though perhaps we should consider asking that question in the future.

For each of our speakers, what one piece of advice would you like to share with the audience?

Smith: First and foremost, my answer is choices, choices, and more choices. The more choices you can offer to customers the better. Second, actively promote your programs. Lastly, “fee-free transactions” are essential. Utilities must figure out how to accept credit cards without charging convenience fees, and this may mean working with commissions and could be a hard sell.

Dave Fields: If anyone is intrigued by an integrated bill presentment and payment solution, please don’t hesitate to reach out and talk to an integrated solution provider that handles all of these functions. You may find differences in terms of the integration of these services. We at CDS Global would certainly love to talk to you about our integrated solution. Even if you simply have some questions or wish to do some benchmarking, please don’t hesitate to ask.

Solomon Fields: When attempting to meet customer expectations, don’t attempt to address them all at once. We approached e-bill and e-payments implementation in stages. In doing so, we minimized potential problems and challenges. We successfully implemented the website and then incorporated the consolidated bills with EZ Post followed by the IVR and other methods and channels. So my advice is, don’t try and eat the whole elephant in one bite!

About CDS Global

CDS Global is a leading provider of outsourced business solutions to utilities, municipalities, cooperatives, financial institutions and nonprofits delivering a wide range of integrated payment presentment and processing solutions across multiple channels. Solutions include Electronic Bill Presentment & Payment (EBPP), Remittance Processing, Remote Deposit Capture, Bill Printing and Mailing Services, and Data Capture & Advanced Imaging. To learn more about CDS Global utility solutions, please visit www.cds-global.com.



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2012-07 Urging Utilities to Eliminate “Convenience” Fees for Paying Utility Bills with Debit and Credit Cards and Urging Appropriate State Regulatory Oversight.

NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES

Resolution 2012-07

URGING UTILITIES TO ELIMINATE “CONVENIENCE” FEES FOR PAYING UTILITY BILLS WITH DEBIT AND CREDIT CARDS AND URGING APPROPRIATE STATE REGULATORY OVERSIGHT

Whereas, payment by debit and credit card has become a nearly universal means by which consumers pay for goods and services, with such payments having constituted approximately 46 percent of the dollar volume of all U.S. consumer spending in 2010 and projected to constitute approximately 56 percent of such total dollar volume in 2015;^[i] and

Whereas, many utilities do not accept debit or credit card payments directly from their customers^[ii] but instead make arrangements under which third parties accept such payments on behalf of the utilities and charge the utility customers “convenience” fees that typically range from about \$1.50 to about \$5.85 per transaction;^[iii] and

Whereas, many utilities have closed neighborhood locations where consumers could previously pay bills in person without incurring additional charges and have replaced these locations with authorized agents that do require consumers to incur additional charges; and

Whereas, some individuals, particularly those who lack access to bank accounts and to credit, by one estimate numbering roughly 50 to 70 million,^[iv] are unable to write traditional checks or to direct electronic transfers and are therefore finding it difficult to pay utility bills without incurring additional charges; and

Whereas, against the backdrop of a continuing high national poverty level,^[v] a decline in median household income,^[vi] and an increasing incidence of arrearages,^[vii] the convenience fees for debit and credit card payments are adding unnecessarily to the expense of paying for utility services; and

Whereas, the convenience fees are making it unnecessarily costly for utility customers, especially low income customers and customers struggling financially due to illness, layoffs or other reasons, to meet their payment obligations and hence to maintain essential utility services; and

Whereas, the conveniences fees make it hard for low income customers, when paying utility bills, to use the payment method that is often most available to them, namely, prepaid debit cards;^[viii] and

Whereas, convenience fees imposed on debit card use undercut the policy objectives of federal programs (for example, social security) and state programs (for example, child support and unemployment compensation) that issue prepaid debit cards to beneficiaries as an effective and cost-efficient way to manage operational expenses,^[ix] by eroding the purchasing power of such cards; and

Whereas, convenience fees repeatedly assessed against utility customers who make multiple payments during the course of a month undercut these customers’ ability to apply scarce available funds to payment of actual utility services; and

Whereas, a large number of utilities, particularly cooperative and municipal utilities, recognize the concerns identified above and have implemented programs under which debit and credit card payments are accepted, without interposition of a third party and without convenience fees;^[x] and

Whereas, utilities incur payment transaction costs no matter what forms of payment they accept; and

Whereas, utilities recover these payment transaction costs in their rates; and

Whereas, due to the reduced interchange rates for credit card transactions under the utility programs referenced above,^[xi] the still lower interchange rates now established by law for debit card transactions,^[xii] and the savings that result from not having to process paper checks, the costs of processing direct payments by debit and credit card under the utility programs referenced above are likely comparable to the cost of processing payments by other means, including traditional check;^[xiii] and

Whereas, there may well be additional savings associated with the payment of utility bills by debit or credit card, as contrasted with payment by check or other means, such as more immediate receipt of payment, lower collection risks and uncollectible debt expense, improved cash flow and reduced working cost of capital;[xiv] and

Whereas, the utility programs referenced above can incorporate such additional cost-saving features as (i) limiting debit and credit card payments without convenience fees to payments made electronically or through an automated telephone system, or (ii) electronic billing, for customers with Internet access;[xv] and

Whereas, the large number of cooperative and municipal utilities that participate in the programs referenced above[xvi] strongly supports the proposition that the programs are cost effective; and

Whereas, it is not reasonable for a utility, particularly a utility that holds a monopoly franchise, to fail to explore and implement cost-effective payment options that offer substantial benefits to its customers; and

Whereas, it is not reasonable for a utility, particularly a utility that holds a monopoly franchise, to accept debit and credit card payments through a third party but not to accept debit and credit card payments directly from its customers if the direct payments can be made at a lower overall cost than the cost of payments made through the third party;[xvii] and

Whereas, it is not reasonable for a utility, particularly a utility that holds a monopoly franchise, to require the payment of a convenience fee as a condition to making payment with a debit or credit card if the costs associated with processing such a payment are comparable to the costs associated with processing a payment made by check or other means; and

Whereas, utility acceptance of debit and credit card payments, without convenience fees, will generally enhance customer satisfaction;[xviii]

Now, therefore, be it resolved, that utilities are urged to review their current payment options and, if direct payment by debit and credit card is not an option, to consider making it an option; and

Be it further resolved, that utilities that currently accept debit and credit card payments only through third parties are urged to consider dropping the third party mechanism and offering a direct debit and credit card payment option instead; and

Be it further resolved, that state public utility commissions are urged to survey the utilities within their jurisdictions to determine the options that are available to consumers for paying utility bills without incurring additional charges; and

Be it further resolved, that state public utility commissions are urged to exercise their jurisdiction as necessary and appropriate so as to accomplish the public policy objective that consumers be given an ability to make direct payment of utility bills by debit or credit card, without unjustified convenience fees, and are urged in particular (i) to include, as a part of their rate-making activities, if and as needed, a comparative review of the costs associated with processing payments to utilities by debit or credit card and the costs associated with processing payments to utilities by other means, including traditional check, and (ii) to provide, if and as needed, such oversight and direction as to the reasonableness of utility payment acceptance policies and practices as may be necessary to advance the public policy objective here stated;[xix] and

Be it further resolved, that the support in this resolution for utility acceptance of credit card payments is conditioned upon maintenance by the credit card companies of utility programs with reduced interchange fees, such that the costs incurred by utilities in accepting credit card payments remain comparable to the costs of processing payments by other means, including traditional check; and

Be it further resolved, that the Consumer Protection Committee of NASUCA, with the approval of the Executive Committee of NASUCA, is authorized to take all steps consistent with this resolution in order to secure its implementation.

Submitted by Consumer Protection Committee

Approved November 13, 2012

Baltimore, Maryland

[i] Nilson Report No. 985 (Dec. 2011), p. 1. Specifically, debit payments constituted 21% of such dollar volume in 2010 and are projected to constitute 25% of such dollar volume in 2015, while credit card payments constituted approximately 25% of such dollar volume in 2010 and are projected to constitute 31% of such dollar volume in 2015. *Id.* In terms of number of transactions, debit cards are now the most prevalent card payment option, constituting roughly 60 percent of card payment transactions. J. Miller, "Paying With Plastic," *Public Utilities Fortnightly*, Dec. 2009, <http://www.fortnightly.com/fortnightly/2009/12/paying-plastic> (full article accessible to subscribers).

[ii] Miller, note 1 above ("utilities still lag behind other industries with respect to all forms of electronic payments, including card payments"). C. Prater, "High Winter Heating Bills, Meet Credit Cards," <http://www.creditcards.com/credit-card-news/winter-heating-bills-credit-card-1267.php> (updated March 25, 2008), quoting Dennis Smith, vice president of research and information delivery at Atlanta-based Chartwell, Inc., a utility industry market research company ("utilities are the last unconquered territory for the credit card companies").

[iii] D. Yon, Research Analyst, Chartwell, Slide Presentation, "Chartwell Industry Data on Card Acceptance," May 18, 2011, p. 6. See also Prater, note 2 above (convenience fees range from \$3.00 to \$6.00 per transaction). For a customer who pays 12 gas, 12 electric and 12 water bills using debit or credit cards, the annual costs would range between \$66.60 and \$210.60 using the Chartwell range or between \$108.00 and \$216.00 using the Prater range. Annual costs could be higher for consumers who make multiple payments over the course of a month. NASUCA has not been able to locate a nationwide annual figure for the aggregate cost of the utility third-party convenience fees.

[iv] Miller, note 1 above.

[v] U.S. Census Bureau, "Income, Poverty, and Health Insurance Coverage in the United States: 2011," Sept. 2012, <http://www.census.gov/prod/2012pubs/p60-243.pdf>.

[vi] *Id.*

[vii] American Gas Association, "Utility Customer Arrearage and Disconnect Survey," Fall 2011, <http://www.aga.org/our-issues/liheap/Documents/Fall%202011%20Write%20Up%20-%20arrears%20NR.pdf>.

[viii] Miller, note 1 above ("the most explosive growth in payment cards . . . is in pre-paid cards, which are particularly popular among low-income customers . . .").

[ix] See, for example, U.S. Department of the Treasury, "US Debit Card Program," http://www.usdebitcard.gov/cm/ContentServer?c=TS_Content&pagename=jpmorgan%2Fts%2Fts_Content%2FSimpleSite&cid=1136382700553&source=DirectURL_usdebitcard.

[x] See Prater, note 2 above, describing Visa card acceptance program at Sacramento Municipal Utility District. The Chartwell data indicate that 42% of utilities now offer a fee-free card acceptance program. See Yon, note 3 above, p. 6. The Chartwell data further indicate that of those utilities that do offer a fee-free card acceptance program, 51% are electric cooperatives, 44% are municipal or public utilities and 5% are investor-owned utilities. *Id.*, p. 9. Visa lists more than 4,000 utilities, including many municipal and cooperative utilities, that accept Visa cards with no convenience fee.

[xi] Prater, note 2 above (Visa and MasterCard offer reduced interchange rates to utilities). In a recent case before the Maryland Public Service Commission, a company witness detailed the reduced transaction fees, totaling approximately \$1.00 for a residential customer, under a card acceptance program with no convenience fee, as follows: \$.75 Visa Utility Program interchange rate; 11 basis points Visa assessment charge; \$.10 to \$.15 bank processing fee (Wells Fargo Bank, N.A. estimate). *In the Matter of the Application of Washington Gas Light Co. for Authority to Increase to Increase Existing Rates and Charges for Gas Service*, Case No. 9267, Rebuttal Testimony of Paul S. Buckley, p. 15 and Ex. PSB-R1 p. 3. See also U.S. Government Accountability Office, Report GAO-10-45, "Credit Cards: Rising Interchange Fees Have Increased Costs for Merchants, but Options for Reducing Fees Pose Challenges," Nov. 2009, p. 10 (Visa has flat fee of \$.75 for payments accepted by utility companies).

[xii] Regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act establish a maximum permissible interchange rate per debit transaction for banks with assets of \$10 billion of \$.21 plus 5 basis points plus up to \$.01 for fraud prevention. See Federal Reserve Board, Press Release, June 29, 2011, <http://www.federalreserve.gov/newsevents/press/bcreg/20110629a.htm>.

[xiii]Vermont Department of Public Service (Vermont), "Utility Bill Payment by Credit or Debit Card," Report Pursuant to Act 47 of the 2011-2012 Legislative Session," Feb. 21, 2012, pp. 7, 12 ("[w]hile each method of payment results in some level of cost shifting of expense, the Department was able to determine that the impact to ratepayers for the cost of processing payments by credit cards would have minimal effect if the additional costs incurred with payments processed through a third party vendor is avoided"); Miller, note 1 above ("the utility card payment business case is moving in the direction of cost neutrality").

[xiv]Vermont, note 13 above, pp. 7, 12.

[xv] Under the Sacramento program, see note 10 above, in order for a customer to pay by debit or credit card and not incur a convenience fee, the customer must pay electronically or use an automated phone payment system. Customers who call the utility's customer service hotline to pay by card are charged \$4.25.

[xvi] See note 10 above.

[xvii] In proceedings before the Colorado Public Service Commission, SourceGas Distribution LLC observed: "When SourceGas engaged banking service providers to accept credit card payments, SourceGas opted into a utility payment service that significantly lowered the overall transaction costs of accepting credit card payments." Initial Comments, SourceGas Distribution, LLC, Docket No. 11M-818EG (Dec. 22, 2011), p. 5.

[xviii]Miller, note 1 above ("The dramatic shift in usage from credit to debit, in addition to the growth for prepaid cards, are clear indicators that customers from all income levels increasingly are demanding the ability to pay by card . . . [T]he acceptance of no-fee card payments is central to supporting a utility's transformation into a utility of the future").

[xix] See *In the Matter of the Application of the Washington Gas Light Co.*, Md. Pub. Serv. Com'n Case No. 9267, Order No. 84475 (Nov. 14, 2011), p. 112 (approving use of fee-free credit card payment program for eligible customers and denying cost adjustment).

November 13th, 2012|Consumer Protection|



Visa U.S.A. Interchange Reimbursement Fees

The following tables set forth the interchange reimbursement fees applied on Visa financial transactions completed within the 50 United States and the District of Columbia.

Visa uses interchange reimbursement fees as transfer fees between financial institutions to balance and grow the payment system for the benefit of all participants. Merchants do not pay interchange reimbursement fees; merchants pay "merchant discount" to their financial institution. This is an important distinction, because merchants buy a variety of processing services from financial institutions; all these services may be included in their merchant discount rate, which is typically a percentage rate per transaction.

Visa U.S.A. Consumer Check Card Exempt & Regulated Interchange Reimbursement Fees



Rates Effective June 16, 2012

Fee Program	EXEMPT Visa Check Card	REGULATED Visa Check Card
Card Present Transactions		
CPS/Supermarket, Debit	\$0.30	0.05% + \$0.21*
CPS/Retail, Debit	0.80% + \$0.15	0.05% + \$0.21*
CPS/Automated Fuel Dispenser (AFD), Debit	0.80% + \$0.15 (\$0.95 Cap)	0.05% + \$0.21*
CPS/Service Station, Debit	0.80% + \$0.15 (\$0.95 Cap)	0.05% + \$0.21*
CPS/Small Ticket, Debit	1.55% + \$0.04 ¹	0.05% + \$0.21*
CPS/Restaurant, Debit	1.19% + \$0.10	0.05% + \$0.21*
CPS/Hotel and Car Rental Card Present, Debit	1.19% + \$0.10	0.05% + \$0.21*
CPS/Passenger Transport Card Present, Debit	1.19% + \$0.10	0.05% + \$0.21*
Travel Service, Debit	1.19% + \$0.10	0.05% + \$0.21*
CPS/Retail Key Entry, Debit ²	1.65% + \$0.15	0.05% + \$0.21*
Card Not Present Transactions²		
CPS/Retail 2 – Card Not Present, Debit	0.65% + \$0.15 (\$2.00 Cap)	0.05% + \$0.21*
CPS/Debt Repayment	0.65% + \$0.15 (\$2.00 Cap)	0.05% + \$0.21*
CPS/Utility, Debit	\$0.65	0.05% + \$0.21*
CPS/Debit Tax Payment ³	0.65% + \$0.15 (\$2.00 Cap)	0.05% + \$0.21*
CPS/Card Not Present, Debit	1.65% + \$0.15	0.05% + \$0.21*
CPS/e-Commerce Basic, Debit	1.65% + \$0.15	0.05% + \$0.21*
CPS/e-Commerce Preferred Retail, Debit	1.60% + \$0.15	0.05% + \$0.21*
CPS/e-Commerce Preferred Hotel and Car Rental, Debit	1.70% + \$0.15	0.05% + \$0.21*
CPS/e-Commerce Preferred Passenger Transport, Debit	1.70% + \$0.15	0.05% + \$0.21*
CPS/Hotel and Car Rental Card Not Present, Debit	1.70% + \$0.15	0.05% + \$0.21*
CPS/Passenger Transport Card Not Present, Debit	1.70% + \$0.15	0.05% + \$0.21*
CPS/Account Funding, Debit	1.75% + \$0.20	0.05% + \$0.21*
Electronic Interchange Reimbursement Fee (EIRF), Debit ⁴	1.75% + \$0.20	0.05% + \$0.21*
Standard Interchange Reimbursement Fee, Debit	1.90% + \$0.25	0.05% + \$0.21*

Note: Prices in this table are listed in U.S. dollars; fees paid to cardholder financial institution.

* Issuers that certify to Visa their compliance with the interim fraud prevention standards will receive an additional US \$0.01.

¹ Small-ticket interchange rate on PIN-authenticated Visa Debit transactions applies only to Visa Network 002 transactions.

² Not applicable to PIN-authenticated transactions.

³ Applies to both CPS/Debit Tax Payment 1 and CPS/Debit Tax Payment 2.

⁴ EIRF transactions from AFDs and service stations are eligible for a US \$0.95 cap.

Visa U.S.A. Consumer Prepaid Exempt & Regulated and Other Exempt Products Interchange Reimbursement Fees

Rates Effective June 16, 2012



Fee Program	EXEMPT Visa Consumer Prepaid and Other Exempt	REGULATED Visa Consumer Prepaid
Card Present Transactions		
CPS/Supermarket, Prepaid	1.15% + \$0.15 (\$0.35 Cap)	0.05% + \$0.21*
CPS/Retail, Prepaid	1.15% + \$0.15	0.05% + \$0.21*
CPS/Automated Fuel Dispenser (AFD), Prepaid	1.15% + \$0.15 (\$0.95 Cap)	0.05% + \$0.21*
CPS/Service Station, Prepaid	1.15% + \$0.15 (\$0.95 Cap)	0.05% + \$0.21*
CPS/Small Ticket, Prepaid	1.60% + \$0.05 ¹	0.05% + \$0.21*
CPS/Hotel and Car Rental Card Present, Prepaid	1.15% + \$0.15	0.05% + \$0.21*
CPS/Restaurant, Prepaid	1.15% + \$0.15	0.05% + \$0.21*
CPS/Passenger Transport Card Present, Prepaid	1.15% + \$0.15	0.05% + \$0.21*
Travel Service, Prepaid	1.15% + \$0.15	0.05% + \$0.21*
CPS/Retail Key Entry, Prepaid ²	1.75% + \$0.20	0.05% + \$0.21*
Card Not Present Transactions²		
CPS/Retail 2 Card Not Present, Prepaid	0.65% + \$0.15 (\$2.00 Cap)	0.05% + \$0.21*
CPS/Debt Repayment	0.65% + \$0.15 (\$2.00 Cap)	0.05% + \$0.21*
CPS/Utility, Prepaid	\$0.65	0.05% + \$0.21*
CPS/Debit Tax Payment ³	0.65% + \$0.15 (\$2.00 Cap)	0.05% + \$0.21*
CPS/Card Not Present, Prepaid	1.75% + \$0.20	0.05% + \$0.21*
CPS/e-Commerce Basic, Prepaid	1.75% + \$0.20	0.05% + \$0.21*
CPS/e-Commerce Preferred Retail, Prepaid	1.75% + \$0.20	0.05% + \$0.21*
CPS/e-Commerce Preferred Hotel and Car Rental, Prepaid	1.75% + \$0.20	0.05% + \$0.21*
CPS/e-Commerce Preferred Passenger Transport, Prepaid	1.75% + \$0.20	0.05% + \$0.21*
CPS/Hotel and Car Rental Card Not Present, Prepaid	1.75% + \$0.20	0.05% + \$0.21*
CPS/Passenger Transport, Prepaid	1.75% + \$0.20	0.05% + \$0.21*
CPS/Account Funding, Prepaid	1.80% + \$0.20	0.05% + \$0.21*
Electronic Interchange Reimbursement Fee (EIRF), Prepaid ⁴	1.80% + \$0.20	0.05% + \$0.21*
Standard Interchange Reimbursement Fee, Prepaid	1.90% + \$0.25	0.05% + \$0.21*

Note: Prices in this table are listed in U.S. dollars; fees paid to cardholder financial institution.

* Issuers that certify to Visa their compliance with the interim fraud prevention standards will receive an additional US \$0.01.

¹ Small-ticket interchange rate on PIN-authenticated Visa Prepaid transactions applies only to Visa Network 002.

² Not applicable to PIN-authenticated transactions.

³ Applies to both CPS/Debit Tax Payment 1 and CPS/Debit Tax Payment 2.

⁴ EIRF transactions from AFDs and service stations are eligible for a US \$0.95 cap.

Visa U.S.A. Consumer Credit
Interchange Reimbursement Fees
Rates Effective June 16, 2012



Fee Program	Visa Signature Preferred	Visa Signature	Traditional Rewards	All Other Products	
CPS/Supermarket Credit—Performance Threshold* I	2.10% + \$0.10	CPS/Rewards 1 1.65% + \$0.10	1.15% + \$0.05		
CPS/Supermarket Credit—Performance Threshold* II			1.20% + \$0.05		
CPS/Supermarket Credit—Performance Threshold* III			1.22% + \$0.05		
CPS/Supermarket Credit—All Other		CPS/Rewards 1 1.65% + \$0.10		1.22% + \$0.05	
CPS/Retail Credit-Performance Threshold* I		CPS/Rewards 1 1.65% + \$0.10	1.43% + \$0.10		
CPS/Retail Credit-Performance Threshold* II			1.47% + \$0.10		
CPS/Retail Credit-Performance Threshold* III			1.51% + \$0.10		
CPS/Retail—All Other		CPS/Rewards 1 1.65% + \$0.10		1.51% + \$0.10	
CPS/Small Ticket		1.65% + \$0.04			
CPS/Retail 2		2.40% + \$0.10**	1.43% + \$0.05		
CPS/Charity	1.35% + \$0.05				
CPS/Automated Fuel Dispenser (AFD)	1.15% + \$0.25 (\$1.10 Cap)				
CPS/Service Station	1.15% + \$0.25 (\$1.10 Cap)				
CPS/Utility	\$0.75				
CPS/Retail Key Entry	2.10% + \$0.10	CPS/Rewards 2 1.95% + \$0.10		1.80% + \$0.10	
CPS/Card Not Present	2.40% + \$0.10			1.80% + \$0.10	
CPS/e-Commerce Basic	(except for B2B which receives 2.10% + \$0.10)			1.80% + \$0.10	
CPS/e-Commerce Preferred Retail	1.80% + \$0.10				
CPS/e-Commerce Preferred Hotel and Car Rental	2.40% + \$0.10	EIRF 2.30% + \$0.10	CPS/ Rewards 2 1.95% + \$0.10	1.54% + \$0.10	
CPS/e-Commerce Preferred Passenger Transport				1.70% + \$0.10	
CPS/Hotel and Car Rental Card Present				1.54% + \$0.10	
CPS/Hotel and Car Rental Card Not Present				1.54% + \$0.10	
CPS/Passenger Transport				1.70% + \$0.10	
CPS/Restaurant				1.54% + \$0.10	
CPS/Account Funding	2.14% + \$0.10				
Electronic Interchange Reimbursement Fee (EIRF) ¹	2.40% + \$0.10	2.30% + \$0.10			
Standard Interchange Reimbursement Fee	2.95% + \$0.10 ²	2.70% + \$0.10			

Note: Prices in this table are listed in U.S. dollars; fees paid to cardholder financial institution.

* See page 5 for performance threshold criteria. ** MCC 6300 eligible for B2B (2.10% + \$0.10).

¹ EIRF transactions from AFDs and service stations are eligible for a US \$1.10 cap.

² Standard transactions on VSP cards from AFDs and service stations are eligible for a US \$1.10 cap.

MasterCard 2013–2014 U.S. Region Interchange Rates

The following tables set forth the interchange reimbursement fees applied on MasterCard purchase transactions completed within the United States region. For more information, please contact your Acquiring financial institution.

U.S. Region MasterCard Consumer Credit Rates

Group	Core Value (USD)	Enhanced Value (USD)	World (USD)	World High Value (USD)	World Elite (USD)
Airline	N/A	N/A	N/A	2.30% + 0.10	2.30% + 0.10
Charity	2.00% + 0.10	2.00% + 0.10	2.00% + 0.10	2.00% + 0.10	2.00% + 0.10
Convenience Purchases Base	1.90% + 0.00	1.90% + 0.00	2.00% + 0.00	2.00% + 0.00	2.00% + 0.00
Convenience Purchases Tier 1	1.35% + 0.00	1.35% + 0.00	1.45% + 0.00	1.60% + 0.00	1.60% + 0.00
Full UCAF	1.68% + 0.10	1.83% + 0.10	1.87% + 0.10	2.30% + 0.10	2.30% + 0.10
Key-entered	1.89% + 0.10	2.04% + 0.10	2.05% + 0.10	2.50% + 0.10	2.50% + 0.10
Merchant UCAF	1.58% + 0.10	1.73% + 0.10	1.77% + 0.10	2.20% + 0.10	2.20% + 0.10
Merit I	1.89% + 0.10	2.04% + 0.10	2.05% + 0.10	2.50% + 0.10	2.50% + 0.10
Merit I (Insurance)	1.43% + 0.05	1.43% + 0.05	1.43% + 0.05	2.20% + 0.10	2.20% + 0.10
Merit I (Real Estate)	1.10% + 0.00	1.10% + 0.00	1.10% + 0.00	2.20% + 0.10	2.20% + 0.10
Merit III Base	1.58% + 0.10	1.73% + 0.10	1.77% + 0.10	2.20% + 0.10	2.20% + 0.10
Merit III Tier 1	1.43% + 0.10	1.43% + 0.10	1.53% + 0.10	2.05% + 0.10	2.05% + 0.10
Merit III Tier 2	1.48% + 0.10	1.48% + 0.10	1.58% + 0.10	2.10% + 0.10	2.10% + 0.10
Merit III Tier 3	1.55% + 0.10	1.55% + 0.10	1.65% + 0.10	2.15% + 0.10	2.15% + 0.10
Passenger Transport	1.75% + 0.10	1.90% + 0.10	N/A	N/A	N/A

Group	Core Value (USD)	Enhanced Value (USD)	World (USD)	World High Value (USD)	World Elite (USD)
Payment Transaction	0.19% + 0.53	0.19% + 0.53	0.19% + 0.53	0.19% + 0.53	0.19% + 0.53
Petroleum Base	1.90% + 0.00 max fee: 0.95	1.90% + 0.00 max fee: 0.95	2.00% + 0.00 max fee: 0.95	2.00% + 0.00 max fee: 0.95	2.00% + 0.00 max fee: 0.95
Public Sector	1.55% + 0.10	1.55% + 0.10	1.55% + 0.10	1.55% + 0.10	1.55% + 0.10
Restaurant	N/A	N/A	1.73% + 0.10	2.20% + 0.10	2.20% + 0.10
Service Industries	1.15% + 0.05	1.15% + 0.05	1.15% + 0.05	1.15% + 0.05	1.15% + 0.05
Standard	2.95% + 0.10	2.95% + 0.10	2.95% + 0.10	3.25% + 0.10	3.25% + 0.10
Supermarket Base	1.48% + 0.10	1.48% + 0.10	1.58% + 0.10	1.90% + 0.10	1.90% + 0.10
Supermarket Tier 1	1.15% + 0.05	1.15% + 0.05	1.25% + 0.05	1.25% + 0.05	1.25% + 0.05
Supermarket Tier 2	1.15% + 0.05	1.15% + 0.05	1.25% + 0.05	1.25% + 0.05	1.25% + 0.05
Supermarket Tier 3	1.22% + 0.05	1.22% + 0.05	1.32% + 0.05	1.32% + 0.05	1.32% + 0.05
T&E	N/A	N/A	2.30% + 0.10	2.75% + 0.10	2.75% + 0.10
T&E Large Ticket	N/A	N/A	N/A	2.00% + 0.00	2.00% + 0.00
Lodging and Auto Rental	1.58% + 0.10	1.80% + 0.10	N/A	N/A	N/A
Utilities	0.00% + 0.65	0.00% + 0.65	0.00% + 0.65	0.00% + 0.75	0.00% + 0.75
Warehouse Base	1.48% + 0.10	1.48% + 0.10	1.58% + 0.10	1.90% + 0.10	1.90% + 0.10
Warehouse Tier 1	1.48% + 0.10	1.48% + 0.10	1.58% + 0.10	1.90% + 0.10	1.90% + 0.10

Group	Core Value (USD)	Enhanced Value (USD)	World (USD)	World High Value (USD)	World Elite (USD)
Consumer Credit Refund Group 1	N/A	N/A	2.42% + 0.00	2.42% + 0.00	2.42% + 0.00
Consumer Credit Refund Group 2	2.09% + 0.00	2.09% + 0.00	2.09% + 0.00	2.09% + 0.00	2.09% + 0.00
Consumer Credit Refund Group 3	1.95% + 0.00	1.95% + 0.00	1.95% + 0.00	1.95% + 0.00	1.95% + 0.00
Consumer Credit Refund Group 4	1.82% + 0.00	1.82% + 0.00	1.82% + 0.00	1.82% + 0.00	1.82% + 0.00
Consumer Credit Refund Group 5	1.73% + 0.00	1.73% + 0.00	1.73% + 0.00	1.73% + 0.00	1.73% + 0.00

U.S. Region MasterCard Consumer Credit Tier Qualifying Criteria

Tier	Minimum Annual Consumer Credit Core Value, Enhanced Value, World, World High Value, and World Elite Volume
Merit III	
Tier 1	USD 1.80 billion
Tier 2	USD 1.25 billion
Tier 3	USD 750 million
Supermarket	
Tier 1	USD 6.00 billion
Tier 2	USD 2.00 billion
Tier 3	USD 750 million
Convenience Purchases	
Tier 1	USD 1.00 billion (Note A)

The minimum annual Consumer Credit Core Value, Enhanced Value, World, World High Value, and World Elite volume is based on a merchant's October 2011–September 2012 volume settled through the Global Clearing Management System (GCMS) that qualified for the Merit III, Supermarket, or the Convenience Purchase interchange programs and requires a MasterCard approved and assigned Merchant ID.

Only retail and restaurant MCCs may qualify for Merit III Tier 1, 2, or 3.

Note A: A merchant may also qualify for the Convenience Purchases tier if ALL the following requirements are met: (1) Minimum annual MasterCard Consumer Credit volume of USD 75 million settled through GCMS that qualified for the Convenience Purchases interchange rate programs, (2) 60% of MasterCard Consumer Credit transactions are USD 20 or lower, (3) Merchant must offer MasterCard prepaid products (gift or reloadable), (4) Provide acceptance message at the point-of-sale (POS) AND (5) Not a tiered merchant for Consumer Credit Merit 3.

U.S. Region MasterCard Consumer Debit and Prepaid Rates

IRD and Program Name	Debit Rate (USD)	Prepaid Rate (USD)
Charity	1.45% + 0.15	1.45% + 0.15
Emerging Markets	0.80% + 0.25	0.80% + 0.25
Full UCAF	1.15% + 0.15	1.15% + 0.15
Key-Entered	1.60% + 0.15	1.76% + 0.20
Merchant UCAF	1.05% + 0.15	1.05% + 0.15
Merit I	1.60% + 0.15	1.76% + 0.20
Merit I (Real Estate MCCs)	1.10% + 0.00	1.10% + 0.00
Merit III Base	1.05% + 0.15	1.05% + 0.15
Merit III Tier 1	0.70% + 0.15	0.70% + 0.15
Merit III Tier 2	0.83% + 0.15	0.83% + 0.15
Merit III Tier 3	0.95% + 0.15	0.95% + 0.15
Passenger Transport	1.60% + 0.15	1.60% + 0.15
Payment Transaction	0.19% + 0.53	0.19% + 0.53
Petroleum CAT/AFD	0.70% + 0.17 (0.95 maximum)	0.70% + 0.17 (0.95 maximum)
Petroleum Service Station	0.70% + 0.17 (0.95 maximum)	0.70% + 0.17 (0.95 maximum)
Restaurant	1.19% + 0.10	1.19% + 0.10
Service Industries	1.15% + 0.05	1.15% + 0.05
Small Ticket Base	1.55% + 0.04	1.55% + 0.04
Small Ticket Tier 1	1.30% + 0.03	1.30% + 0.03
Standard	1.90% + 0.25	1.90% + 0.25
Supermarket Base	1.05% + 0.15 (0.35 maximum)	1.05% + 0.15 (0.35 maximum)
Supermarket Tier 1	0.70% + 0.15 (0.35 maximum)	0.70% + 0.15 (0.35 maximum)
Supermarket Tier 2	0.83% + 0.15 (0.35 maximum)	0.83% + 0.15 (0.35 maximum)
Supermarket Tier 3	0.95% + 0.15 (0.35 maximum)	0.95% + 0.15 (0.35 maximum)
Lodging and Auto Rental	1.15% + 0.15	1.15% + 0.15
Utilities	0.00% + 0.45	0.00% + 0.65
Warehouse Base	1.05% + 0.15 (0.35 maximum)	1.05% + 0.15 (0.35 maximum)
Warehouse Tier 1	1.05% + 0.15 (0.35 maximum)	1.05% + 0.15 (0.35 maximum)

IRD and Program Name	Debit Rate (USD)	Prepaid Rate (USD)
Warehouse Tier 2	1.05% + 0.15 (0.35 maximum)	1.05% + 0.15 (0.35 maximum)
Warehouse Tier 3	1.05% + 0.15 (0.35 maximum)	1.05% + 0.15 (0.35 maximum)
Consumer Debit Refund Group 1	1.72% + 0.00	1.72% + 0.00
Consumer Debit Refund Group 2	1.68% + 0.00	1.68% + 0.00
Consumer Debit Refund Group 3	1.40% + 0.00	1.40% + 0.00
Regulated POS Debit	0.05% + 0.21	0.05% + 0.21
Regulated POS Debit with Fraud Adjustment	0.05% + 0.22	0.05% + 0.22
Regulated POS Debit Small Ticket	0.05% + 0.21	0.05% + 0.21
Regulated POS Debit Small Ticket with Fraud Adjustment	0.05% + 0.22	0.05% + 0.22

U.S. Region MasterCard Consumer Debit and Prepaid Tier Qualifying Criteria

Tier	Minimum Annual Consumer Debit and Prepaid Merit III and Supermarket Volume
Tier 1	USD 375 million
Tier 2	USD 250 million
Tier 3	USD 125 million

The minimum annual Consumer Debit and Prepaid volume is based on a merchant's October 2011–September 2012 unregulated volume settled through GCMS that qualified for the Merit III or Supermarket interchange programs and requires a MasterCard approved and assigned Merchant ID.

Only retail and restaurant MCCs may qualify for Merit III Tier 1, 2, or 3.

U.S. Region MasterCard Consumer Debit and Prepaid Small Ticket Tier Qualifying Criteria

Tier	Minimum Annual Consumer Debit and Prepaid Small Ticket Transactions
Tier 1	100 million

The minimum Consumer Debit and Prepaid volume or transactions is based on a merchant's October 2011–September 2012 unregulated volume or transactions settled through GCMS that qualified for the Small Ticket interchange programs and requires a MasterCard approved and assigned Merchant ID.