

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

FEB 05 2007

In the Matter of the General Investigation into )  
Billing Standards Related to Security Deposits )  
for Residential and Nonresidential Customers )  
of Gas, Electric and Water Public Utilities )

 Docket Room

Docket No. 07-GIMX-446-GIV

**INITIAL COMMENTS OF AQUILA, INC.**

COMES NOW Aquila, Inc., d/b/a Aquila Networks - KGO and Aquila Networks - WPK ("Aquila"), and files its initial comments to the issues set forth in the Kansas Corporation Commission's ("Commission") November 6, 2006, Order, entered in the above-captioned docket.

**I. INTRODUCTION**

1. Aquila appreciates the opportunity to provide comments to the issues contained in the Commission's November 6, 2006, Order, relating to the security deposit provisions set forth in Section III of the Commission's current billing standards. Aquila looks forward to fully participating in this investigation and in any workshops or other meetings scheduled in this docket.

**II. COMMENTS RELATING TO ISSUES CONTAINED IN THE COMMISSION'S ORDER**

**A. Current deposit requirements for residential and small commercial customers shall not exceed the amount of that customer's projected average two (2) months' bill(s). For other customers, the security deposit shall not exceed the amount of that customer's projected largest two months' bills. Are these amounts adequate to cover the utility's risk exposure for non-payment?**

2. No. Given the restrictions contained in the provisions of the Cold Weather Rule; the provision contained in the current security deposit requirements that allows both residential and commercial customers the ability to make customer deposit installment payments over a four month period; and the manner in which partial payments are currently applied under the Billing Standards; the amount of the customer deposit based upon that customer's projected average two (2) months' bill

is not adequate to cover the utility's risk exposure for non-payment. That risk exposure could be reduced if the current deposit requirements for residential and small commercial customers were changed to the requirement that is currently applied to "other commercial customers," i.e., the security deposit shall not exceed the amount of that customer's projected largest two months' bills. The number of installment payments currently allowed should also either be eliminated or reduced in order to reduce risk relating to non-payment.

**B. "Other customers" are defined as customers using more than 3,240 kWh of electricity or 50 Mcf of natural gas in an average month. Should nonresidential customers be subdivided into groups based on annual usage.**

3. No. The current division into small commercial and "other nonresidential" is adequate.

**C. The Billing Standards allow the utility to require a deposit from customers under certain circumstances. The conditions are different for customers at the time of application for service and any time after application for service. Does the term "application for service" refer to new customers, existing customers filing for bankruptcy, former customers who live at the same premises but have been discounted, etc.?**

4. "Application for service" refers to new customers, existing customers filing for bankruptcy, existing customers requesting service at another premise and former customers who previously had service with the company.

**D. Does "any time after the application for service" refer to existing customers only?**

5. Yes. (See, definition of existing customer below).

**(1) How should "existing customer" be defined?**

6. A customer who has active service or any customer who has been disconnected for non-payment but has not yet received a final bill.

**(2) Is a customer that has been disconnected an existing customer?**

7. Yes, until the final bill has been processed.

(3) **How long does a customer have to be disconnected before the customer is no longer considered an existing customer?**

8. Three days after disconnect.

E. **Should the existing customer security deposit requirements be the same for residential and non-residential customers?**

9. No. Different customer security deposit requirements for different classes of customers are appropriate given the different risk exposure posed by those different customer classes, i.e., differences in size of bill, risk of bad debt, etc.

F. **Positive identification (defined as a photo with name) may be requested from residential customers. Should this be expanded to small general service customers whose business account is in the name of the business owner?**

10. Yes. This should be an option under the customer security deposit requirements.

G. **Creditworthiness - can utilities use credit score methods to evaluate satisfactory credit ratings?**

11. Yes.

(1) **If so, should the methodology be consistent between all utilities?**

12. Utilities should only use well-defined internal or external credit scoring practices. Utilities should have the flexibility in determining and applying their specific methodology in evaluating the credit risk of their customers.

H. **Do changes in character or volume of service need to be defined?**

13. No. The current definition is sufficient. In fact, further definition would only add more complexity to administering deposits and could make it more confusing for the customers.

(1) **If so, how should those changes be defined?**

14. See, response in paragraph 13.

(2) **Should the standards be different for residential and non-residential customers?**

15. See, response in paragraph 13.

**I. What methods of payment can be used to provide security deposits - cash, credit card, debit card, electronic payment, bonds, guarantor, letter of credit, etc.?**

16. Cash, credit card, debit card used as a credit card, electronic payments, bonds and letters of credit are all acceptable. Although third party guarantees are currently accepted, Aquila recommends that this option be eliminated due to the difficulty in administering and tracking the third party guarantees.

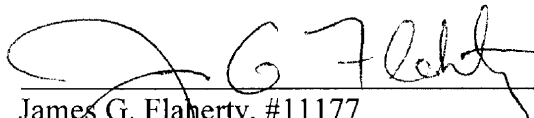
**J. Use, retention and return of deposits. If the nonresidential customers are divided into more than two groups, should the retention and return of security deposits be reviewed and treated the same for each group?**

17. No. 1) A small commercial customer deposit should only be returned when customer has had at least 20 on time payments within a 24 month period. The term "on time payment" should be defined as a payment received no later than the bill due date.

2) Deposits for all other non-residential customers should be retained until utility service is discontinued.

**III. CONCLUSION**

18. Aquila looks forward to working with Staff, CURB and the other utilities in reviewing the customer security provisions contained in Section III of the Billing Standards.



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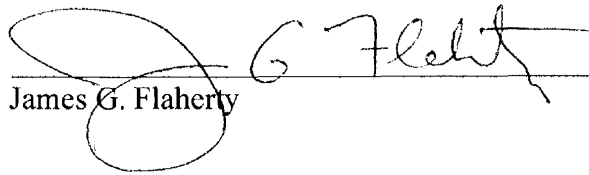
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**VERIFICATION**

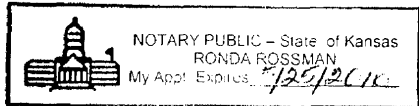
STATE OF KANSAS            )  
  )ss:  
COUNTY OF FRANKLIN    )


James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for Aquila, Inc. named in the foregoing Initial Comments of Aquila, Inc. and is duly authorized to make this affidavit; that he has read the foregoing Initial Comments, and knows the contents thereof; and that the facts set forth therein are true and correct to the best of his knowledge, information and belief.

  
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James G. Flaherty

**SUBSCRIBED AND SWORN** to before me this 5<sup>th</sup> day of February, 2007.



  
\_\_\_\_\_  
Notary Public

My Commission Expires:

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the above and foregoing was mailed, postage prepaid, this 5<sup>th</sup> day of February, 2007, addressed to:

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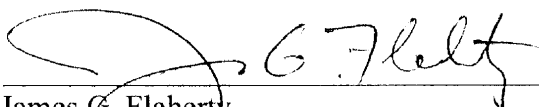
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