

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of)
Southern Pioneer Electric Company)
Seeking Waiver of Minimum Standards)
For Payment Methods for Utility Bills and)
Allowing the Acceptance of Credit Cards)
and the Approval of Revisions to their)
Schedule of Fees Related to the Assessment)
of Credit Card Convenience Fees)

Docket No. 18-SPEE- 241 -TAR

APPLICATION

COMES NOW, Southern Pioneer Electric Company, (“Southern Pioneer”), and pursuant to K.S.A. § 66-117, hereby files this Application with the State Corporation Commission of the State of Kansas (“Commission” or “KCC”) for the purpose of seeking (i) a waiver of certain minimum standards for payment methods for utility bills and allowing the acceptance of credit cards; and (ii) approval to make certain revisions to Southern Pioneer’s Schedule of Fees related to the assessment of credit card convenience fees as contained in the Commission-approved Southern Pioneer Rules and Regulations for the geographic service territory served by Southern Pioneer, and for other related relief that may be required. In support of its Application, Southern Pioneer states as follows:

I. INTRODUCTION AND BACKGROUND

1. Southern Pioneer is a Kansas Corporation not-for-profit utility with its principal place of business located in Ulysses, Kansas, with distribution and customer service offices located in Liberal and Medicine Lodge, Kansas.

2. Southern Pioneer is regulated by the Commission and is a wholly owned subsidiary of Pioneer Electric Cooperative, Inc. (“Pioneer Electric”), a not-for-profit Kansas member-owned electric cooperative not subject to Commission regulation for retail ratemaking purposes pursuant to K.S.A. § 66-104d.

3. Southern Pioneer was granted public utility status on November 21, 2013, when the Commission approved the transfer of the retail certificated territory, consumers, Rules and Regulations, and tariffs from Mid-Kansas Electric Company, LLC to Southern Pioneer in Docket No. 13-MKEE-447-MIS.

4. Southern Pioneer bills on average approximately 17,000 plus retail residential and non-residential customers monthly in all or parts of ten southwest and south central Kansas counties that use a combination of zero fee (cash, check or e-checks) and nonzero fee-based (debit, credit cards, etc.) payment methods to pay their electric bill.

5. In addition to the undersigned, copies of pleadings, documents, and correspondence in this docket should be sent to:

Randall D. Magnison
Executive Vice President-Assistant CEO
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880-0430

II. OVERVIEW OF THE APPLICATION

6. Southern Pioneer accepts zero fee and nonzero fee-based payments from residential and non-residential customers alike. Due to Southern Pioneer’s customer billing software limitations, which requires the utility to choose either the set Fixed-Fee or Standard Fee transaction charge option, but not both, and negative comments received from past and recent Customer

surveys conducted by Southern Pioneer’s contracted agent expressing concern with paying such fee, Southern Pioneer is proposing to now limit monthly bill payment by credit or debit cards (together “credit cards”) to residential customers only and eliminate the \$3.95 per Fixed-Fee transaction convenience fee, as currently required in the Schedule of Fees of Southern Pioneer’s Commission-approved Rules and Regulations. Southern Pioneer would incorporate the cost of these transactions into Southern Pioneer’s cost of service. The proposed changes are further explained in the Testimony of Randall D. Magnison, submitted in support of this Application. The revisions related to the proposed changes are shown in redline to Index R7, Section K, Sheet 3 of 3 of the Southern Pioneer Rules and Regulations, attached as Exhibits to the Testimony of Randall D. Magnison.

8. Currently, all Southern Pioneer customers that pay their electric bill using a credit card are charged a Fixed-Fee convenience fee of \$3.95, with a limit of \$500 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 Commission-approved Southern Pioneer Rules and Regulations.

9. 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.”

10. Index R7, Section K, Sheet 3 of 3 of the Southern Pioneer Rules and Regulations provide that customers paying a bill online or by telephone with a credit card shall pay a convenience fee of \$3.95 per transaction.

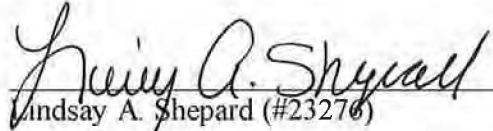
11. Southern Pioneer requests approval to implement a payment option that will allow residential customers to make payments using credit cards without incurring a fee for each transaction. Instead, Southern Pioneer will pay the associated costs for credit card processing and incorporate that cost into its cost of service. Southern Pioneer 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 or annual formula based rate filings, whichever is applicable.

12. Southern Pioneer is requesting a waiver from Sections (D) and (I)(2) of the Credit Card Standards and requesting approval of the revisions to its Rules and Regulations reflected in Magnison Exhibit – 3 and Magnison – 4 to Mr. Magnison’s testimony.

13. Southern Pioneer requests that the Commission issue an order with respect to the proposed program and revision of the Rules and Regulations within 90-days.

WHEREFORE, Applicant respectfully requests that the Commission issue an order approving the proposed elimination of the credit card convenience fee for residential customers and revision to the Rules and Regulations within ninety (90) days, and such other and further relief as the Commission may deem just and proper.

Respectfully submitted,



Lindsay A. Shepard (#23276)
Executive Vice President – General Counsel
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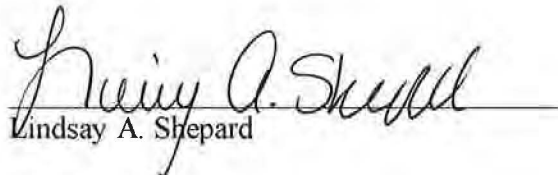
**ATTORNEY FOR SOUTHERN PIONEER
ELECTRIC COMPANY**

VERIFICATION

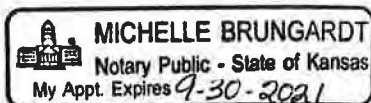
STATE OF KANSAS)
)
COUNTY OF GRANT) ss:

Lindsay A. Shepard, of lawful age, being first duly sworn on oath, states:

That she is the attorney for Southern Pioneer Electric Company named in the foregoing Application, knows the contents thereof, and that the facts set forth therein are true and correct to the best of her knowledge, information and belief.


Lindsay A. Shepard

SUBSCRIBED AND SWORN to before me this 8 day of December 2017.




Notary Public – Michelle Brungardt

My Commission Expires: 9-30-2021

**Prefiled Direct Testimony of
Randall D. Magnison**

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Allowing the Acceptance of Credit Cards)	
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Schedule of Fees Related to the Assessment)	
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PREFILED DIRECT TESTIMONY OF

RANDALL D. MAGNISON
EXECUTIVE VICE PRESIDENT AND ASSISTANT CHIEF EXECUTIVE OFFICER
SOUTHERN PIONEER ELECTRIC COMPANY

ON BEHALF OF

SOUTHERN PIONEER ELECTRIC COMPANY

December 7, 2017

I. INTRODUCTION AND BACKGROUND

Q. Please state your name and business address.

A. My name is Randall D. Magnison. My business address for legal service is 1850 W. Oklahoma, Ulysses Kansas 67880 and for mail receipt, PO Box 430, Ulysses Kansas 67880-0430.

Q. What is your profession?

A. I am the Executive Vice President and Assistant Chief Executive Officer (“Assistant CEO”) of Southern Pioneer Electric Company (“Southern Pioneer”), a wholly owned subsidiary of Pioneer Electric Cooperative, Inc. (“Pioneer”), pursuant to the Services Agreement entered into between Pioneer and Southern Pioneer on July 7, 2006.

Q. Please describe your responsibilities with Southern Pioneer.

A. As the Executive Vice President and Assistant CEO of both companies, I provide assistance to the Chief Executive Officer (“CEO”) in the day-to-day management of both Pioneer and Southern Pioneer. Additionally, I oversee all of the Human Resource functions, personnel, compensation planning, benefits administration and regulatory/compliance activities, including ratemaking and regulatory filings. Further, as the Assistant CEO, I work directly for the CEO and with the Board of Directors in establishing policy and rates, implementing strategic programs, and conducting the overall operation of both Pioneer and Southern Pioneer to ensure reliable service at a competitive cost, using generally acceptable industry business practices.

1 **Q. What is your educational background?**

2 A. I graduated from Friends University in 1991 with a Bachelor of Science Degree in Human
3 Resource Management. In 2005, I successfully completed the National Rural Electric
4 Cooperatives' Management Internship Program through the University of Wisconsin.

5 **Q. What is your professional background?**

6 A. I was employed in July 2000 as the Assistant to the CEO at Pioneer Electric. In
7 September 2005, I served a dual role as the Assistant to the CEO and Southern Pioneer's
8 Executive Vice President-Chief Operating Officer ("COO"). As the COO of Southern
9 Pioneer, I was instrumental in the formation of Southern Pioneer and coordinated the
10 acquisition and transition of Southern Pioneer's portion of the acquired Aquila, Inc., d/b/a
11 Aquila Networks-WPK ("Aquila") assets from an investor-owned utility to that of a for-
12 profit C-Corporation, owned by a cooperative and agreeing to operate as a taxable, not-
13 for-profit entity. In May 2011, I was appointed the Executive Vice President and
14 Assistant CEO of both Pioneer and Southern Pioneer, the position I continue to hold
15 today. Prior to July of 2000, I served as Manager of Benefits for Sunflower Electric
16 Power Corporation ("Sunflower") in Hays, Kansas, where I managed all Statutory and
17 Welfare Benefit Programs, and provided support to all Sunflower Member Systems and
18 the 500 plus system employees. Prior to Sunflower, I served seven years as the
19 Administrator at a regional accounting firm where I managed the daily activities of the
20 firm, as well as provided compensation and benefit consulting to clients.

21 **Q. Have you previously prepared or presented testimony before the Commission?**

22 A. Yes. I have filed either direct and/or rebuttal testimony in Docket No. 06-MKEE-524-
23 ACQ (the "06-524 Docket"); Docket No. 12-MKEE-380-RTS; Docket No. 13-MKEE-

1 452-MIS (the “13-452 Docket”); Docket No. 14-SPEE-507-RTS; Docket No. 15-SPEE-
2 116-RTS; Docket No. 15-SPEE-519-RTS; Docket No. 15-SPEE-161-RTS; Docket No.
3 16-MKEE-023-TAR; Docket No. 16-SPEE-497-RTS; Docket No. 16-SPEE-501-TAR
4 Docket No. 17-SPEE-129-TAR; Docket No. 17-SPEE-476-TAR and Docket No. 17-
5 KPPE-092-COM. In addition to preparing testimony or testifying before the Commission,
6 I have filed applications for the purpose of adopting an *ad valorem* tax surcharge in
7 Docket No. 13-MKEE-695-TAR, Docket No. 14-SPEE-297-TAR, Docket No. 15-SPEE-
8 267-TAR, 16-SPEE-306-TAR and 17-SPEE-263-TAR.

9 **Q. Please provide a brief overview of Southern Pioneer.**

10 A. Southern Pioneer is a not-for-profit, taxable Kansas corporation with its principal place of
11 business located in Ulysses, Kansas, with distribution and customer service offices located
12 in Liberal and Medicine Lodge, Kansas. Southern Pioneer serves just over 17,000 retail
13 customers in ten south central and southwest Kansas counties. Southern Pioneer is a
14 certificated electric public utility regulated by the Commission and is a wholly owned
15 subsidiary of Pioneer, a not-for-profit member-owned electric cooperative not subject to
16 Commission regulation for retail ratemaking purposes pursuant to K.S.A. § 66-104d.
17 Southern Pioneer was granted public utility status on November 21, 2013, when the
18 Commission approved the transfer of the retail certificated territory, customers, Rules and
19 Regulations, and tariffs from Mid-Kansas to Southern Pioneer in Docket No. 14-MKEE-
20 447-MIS (the “14-447 Docket”). Southern Pioneer is fully regulated by the Commission.

21 **II. OVERVIEW OF THE APPLICATION**

22 **Q. What is the purpose of your testimony in this proceeding?**

23 A. The purpose of my testimony is to:

- 1 • Provide support for and explain Southern Pioneer’s Application to eliminate the
2 convenience fee currently charged to residential customers that use credit or debit
3 cards (together “credit cards”) to make payments by seeking a waiver of the
4 Commission-approved Minimum Standards for Payment Methods for Utility Bills and
5 Allowing the Acceptance of Credit Cards (“Credit Card Standards”);
- 6 • Summarize Southern Pioneer’s current Credit Card Program;
- 7 • Explain why Southern Pioneer intends to limit and accept credit cards from
8 Residential Customers only;
- 9 • Explain how Southern Pioneer proposes to recover the cost of credit card transactions
10 in its cost of service, what makes up those costs, and the minimal impact to
11 ratepayers; and last,
- 12 • Provide a redline version and summarize the revisions to the Southern Pioneer Index
13 and Schedule of Fees in the Commission-approved Rules and Regulations to
14 accomplish this proposal to eliminate the assessment of credit card convenience fees.

16 **III. SOUTHERN PIONEER’S PROPOSAL**

17 **Q. Are utilities currently required to offer electronic payment methods, such as credit**
18 **cards?**

19 A. No. Section (G) of the Credit Card Standards, attached as Magnison Exhibit – 1 of my
20 testimony, reads “utilities have the option to offer electronic payment methods such as
21 credit cards according to the desires of its customers and the ability of the utility to

1 accommodate them. Utilities are not required to offer customers the opportunity to pay
2 their bills with such payment methods.”

3 **Q. What do the Credit Card Standards and Southern Pioneer’s Rules and Regulations**
4 **provide with respect to the convenience or transaction fee for credit card**
5 **transactions?**

6 A. Section (D) of the Commission-approved Credit Card Standards provides, in part:

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

9

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

12
13 Section (I)(2) of the Credit Card Standards provides, in part, that “[c]ustomers not paying
14 with credit cards shall not be burdened with the transaction costs of customers utilizing these
15 payment methods.”

16
17 Index R7, Section K, Sheet 3 of 3 of the Southern Pioneer Commission-approved
18 Rules and Regulations, attached as Magnison Exhibit – 2 of my testimony, provide that
19 customers paying a bill online or by phone with a credit card shall pay a convenience fee
20 of \$3.95 per transaction.

21
22 **IV. SOUTHERN PIONEER’S CURRENT CREDIT CARD PROGRAM**

23 **Q. How does Southern Pioneer’s credit card payment option currently work?**

24 A. The National Information Solutions Cooperative (“NISC”), a non-profit member-owned
25 service cooperative to which Pioneer and Southern Pioneer hold a joint membership,
26 provides customer billing software to include electronic payment processing for its
27 member utilities and functions as the transaction agent for utilities to include Southern
28 Pioneer. NISC accepts customer bill payments made via a credit card on Southern

1 Pioneer's behalf. NISC offers and limits utilities to two credit card payment options,
2 which allows participating utilities a choice to use the Standard Fee module (includes an
3 Interchange, Assessment, Transaction and Other Fee charges and hereinafter referred to as
4 "Standard Fee(s)") or a Fixed-Fee module (includes a set dollar fee per transaction and
5 hereinafter referred to as "Fixed-Fee"). Only the Standard Fee is available without a
6 transaction dollar amount limit. NISC's Fixed Fee is limited to \$500 per transaction.
7 Later in my testimony I will further explain the components of the Standard and Fixed-Fee
8 structures.

9 In 2012, when Pioneer and Southern Pioneer elected to offer and accept electronic
10 online payments to all classes of retail customers, because they both operated off the same
11 NISC billing platform and customer acceptance/usage levels at that time were unknown
12 and any corresponding transaction costs were unpredictable, Pioneer and Southern Pioneer
13 chose the Fixed-Fee module, which has a set cost per transaction, as opposed to the
14 Standard Fee module, where the transaction cost is typically some percentage variation of
15 the transaction dollar amount.

16 Presently, when a retail customer, *regardless of its rate class*, uses a credit card to pay
17 for electric service, the customer's credit card will be charged the amount due for electric
18 service, plus a \$3.95 fixed transaction or convenience fee for transactions up to a \$500 per
19 transaction limit. As an example, if a retail customer is paying \$130 for electric service
20 using a credit card, its credit card will be charged \$133.95 (\$130 + \$3.95). Therefore, the
21 transaction fee is borne by the retail customer that utilizes this payment option, consistent
22 with the Commission-approved Credit Card Standards. NISC, as Southern Pioneer's
23 behind the scenes processing agent, pays a percentage-based Standard Fee for each

1 transaction, determined by a series of complex factors such as the type of card presented,
2 specific information contained in the transaction, how and when your transaction is
3 processed, your industry, and other factors. Therefore, even though NISC collected a
4 Fixed-Fee of \$3.95 from the retail customer, depending on the foregoing factors, the
5 percentage based Standard Fee may or may not result in more or less than the Fixed-Fee
6 of \$3.95 paid.

7 **Q. You indicated that “regardless of rate class,” customers previously using a credit**
8 **card paid a transaction fee. Will all rate classes be able to use a credit card to pay**
9 **their electric bill if Southern Pioneer’s application to eliminate charging the**
10 **transaction fee is approved?**

11 A. No. Due to NISC’s customer billing software limitations, as it relates to credit card
12 processing and NISC’s inability to mix the Fixed-Fee with Standard Fee methodologies
13 with or without transaction limits for different rate classes, and Southern Pioneer’s
14 concern regarding exposure to unknown higher dollar transaction costs from non-
15 residential (mainly large commercial) customers with larger electric bills and the type of
16 credit cards used, Southern Pioneer has made a business decision to only accept credit
17 cards from residential customers using the Standard Fee module without a dollar limit.
18 Southern Pioneer’s average monthly residential electric bill for the 2016 historical test
19 year used in its 2017 FBR Program Annual Update was just under \$110, compared to the
20 General Service Large customers average monthly bill of \$1,020. While all other non-
21 residential customers will be ineligible to pay with a credit cards, they can continue to use
22 the many zero fee based methods available such as cash, check, e-check, ACH, etc.

23 **Q. What is Southern Pioneer’s proposal for residential customers in this docket?**

1 A. Southern Pioneer proposes to implement a payment option that allows residential
2 customers to make payments using credit cards without incurring a fee or a dollar limit for
3 each transaction. Instead, Southern Pioneer will pay the Standard Fee charged for
4 accepting credit cards for residential customers and incorporate that cost into its cost of
5 service. That transaction cost will then be recovered through base rates from all
6 residential customers, not just those utilizing credit cards, in Southern Pioneer's next
7 general rate case and or in the annual updates to its Commission-approved formula based
8 rate program ("FBR Program").

9 In order to accomplish this, Southern Pioneer requests a waiver from Section (D) and
10 (I)(2) of the Credit Card Standards and asks the Commission to approve the revisions to its
11 Rules and Regulations reflected in Magnison Exhibit – 3 of my testimony.

12 **Q. Can you generally explain the components of the NISC Standard Fee that will be**
13 **paid by Southern Pioneer now as opposed to the Customer?**

14 A. Certainly. The Standard Fee breakdown is as follows:

- 15 • Interchange Fees – These are fees paid to the bank issuing the credit card. The
16 National standard for fees are based on the type of card used and depending on
17 whether it is a qualified or non-qualified card will determine the rate charged.
- 18 • Assessment Fees – These are fees paid to the credit card companies. VISA is equal to
19 0.00110 times the payment amount, plus a flat \$0.022 per transaction. MasterCard is
20 equal to 0.00110 times the payment amount, plus a flat \$0.021 per transaction;
21 Discover is equal to 0.001050 times the payment amount plus a flat \$0.0185 per
22 transaction.

- Transaction Fees – This is the cost of the gateway and authorization/settlement of transactions equivalent to \$0.20 and address verification service equal to \$0.01.
- Other Fees – There are no application fee, early termination fee, service fee, statement fee or minimums.

Q. Using the Standard Fee Module, can you provide an estimate what the total cost per transaction might look like?

A. Yes I can. However, before summarizing, I need to point out that there are numerous types of credit cards available to consumers, and while the Assessment and Transaction Fees are very similar, the interchange fee varies greatly depending on whether the card is a “qualified” card (not subject to regular Interchange pass-through rates) versus a non-qualified card (subject to the higher fee) and/or offers the card user several perks or reward points, etc. Basically the greater the rewards or perks, the higher the interchange fee.

NISC, Southern Pioneer’s agent and processor, using a sampling of credit card types used by Southern Pioneer customers to pay their electric bill, provided Southern Pioneer the following table, which illustrates the total cost per transaction by card type on a hypothetical \$150 payment:

Card	Interchange Rate	Payment Amount	Interchange Fee	Assessment Fee	Transaction Fee	Total Cost
MasterCard	Utility Residential Rate \$0.65	\$150.00	\$0.65	\$0.19	\$0.21	\$1.05
VISA	Utility Residential Rate \$0.65	\$150.00	\$0.65	\$0.19	\$0.21	\$1.05
Discover	Utility Residential Rate \$0.75	\$150.00	\$0.75	\$0.17	\$0.21	\$1.13
MasterCard	Corp Data Rate 1 2.65% + \$0.10	\$150.00	\$4.08	\$0.19	\$0.21	\$4.48

Visa	CPS/Rewards 2 1.95% + \$0.10	\$150.00	\$3.03	\$0.19	\$0.21	\$3.43
Discover	Non- Qualified Rate 1.92% + \$0.10	\$150.00	\$2.98	\$0.17	\$0.21	\$3.36

As you can see, for each of the first three cards from the top, because they qualified for the Residential Utility Rate, which has the lower pass-through interchange fees, the total transaction cost ranges from \$1.05 to \$1.13. However, the last three card types, because they do not qualify for the lower utility rate, ranged from \$3.36 to \$4.48 per transaction as they were subject to the higher interchange fee and offered the card user rewards.

Q. Why is Southern Pioneer proposing to eliminate the Fixed Fee for residential customers using credit cards?

A. Eliminating the \$3.95 Fixed Fee for residential customers using credit cards and incorporating the associated Standard Fees into base rates or recovering in its Commission-approved FBR Program will bring Southern Pioneer’s customer service and billing practices more in line with the business practices of other industries and business.

Q. Is this a standard practice among business and service providers?

A. Yes, it is. Most other types of businesses and service providers, including other Kansas electric utilities such as Kansas City Power & Light (“KCP&L”) and Westar,¹ offer customers a credit card payment option without charging a fee, and recover in their cost of service.

¹ KCPL and Westar received Commission approval for their residential credit card programs in Docket No. 06-KCPE-828-RTS (“06-828 Docket”) and Docket No. 14-WSEE-589-TAR (the “14-589 Docket”), respectively. In both dockets, Commission Staff and the Citizens’ Utility Ratepayer Board supported the programs.

1 According to recent surveys, the number of households using online banking increased
2 more than six-fold and online bill payment increased nearly eight-fold, and 80% of all
3 households with internet access use online banking and 40.5% use online bill payment.
4 More consumers today are utilizing credit cards as their primary method of paying
5 recurring bills and are not accustomed to paying an additional fee for using a credit card.
6 Online bill payments have grown from 13% in 2002 to 50% of all payments in 2011².

7 These statistics and comments are generally echoed in Residential Customer
8 Satisfaction Surveys completed by Pioneer and Southern Pioneer. The two utilities have
9 individually engaged the National Rural Electric Cooperative Association's ("NRECA")
10 Market Research Services group to survey separately Pioneer and Southern Pioneer's
11 residential customers in 2012, 2014 and are in the process of completing the 2017 surveys,
12 which will be finalized in December 2017. In each survey completed (2012 and 2014),
13 and preliminary survey results for 2017), residential consumers commented that while
14 customer service was outstanding at each utility, residential customers complained about
15 paying a \$3.95 transaction fee to conduct business with Southern Pioneer, whether it was
16 to pay their monthly electric bill or establish service and put down a deposit, etc. It was
17 commented that nowhere else does one have to pay a fee when using a credit card to
18 conduct business.

19 Similar concerns, with relevant studies or surveys, were identified and cited in
20 Westar's testimony³ supporting their approved request to eliminate the transaction fee.

² 2011 Fiserv Consumer Billing and Payment Trends Survey

³ Westar Docket No. 14-WSEE-589-TAR, Testimony of Jeffrey Beasley, p. 5, lines 9-23 and p. 6, lines 1-36.

Q. By eliminating the Fixed-Fee and incorporating the Standard Fee into the cost of service or Southern Pioneer's FBR Program, will Southern Pioneer absorb a substantial cost?

A. No, I do not believe it will. To put into perspective, the cost of the Fixed-Fees currently paid by customers compared to Southern Pioneer's total operating costs, on average per month in 2015 Southern Pioneer billed 17,134 accounts, in 2016 on average 17,089 accounts and up through and including August 2017, on average Southern Pioneer billed 17,222 electric accounts. During this same two-year and eight-month period, NISC, on behalf of Southern Pioneer, processed the following residential and non-residential credit card transactions annually:

2015 Year							
	<u>A/R Paid</u>		<u>Transactions</u>		<u>Fixed Fees Collected</u>		<u>Average Bill \$</u>
Totals	\$ 2,074,685		12,901		\$ 50,959		\$ 160.82
Residential	\$ 1,542,066	74.33%	11,277	87.41%	\$ 44,544	87.41%	\$ 136.74
Non-Residential	\$ 532,620	25.67%	1,624	12.59%	\$ 6,415	12.59%	\$ 327.97
2016 Year							
	<u>A/R Paid</u>		<u>Transactions</u>		<u>Fixed Fees Collected</u>		<u>Average Bill \$</u>
Totals	\$ 2,203,610		15,317		\$ 60,502		\$ 143.87
Residential	\$ 1,825,309	82.83%	13,966	91.18%	\$ 55,166	91.18%	\$ 130.70
Non-Residential	\$ 378,301	17.17%	1,351	8.82%	\$ 5,336	8.82%	\$ 280.02
2017 (January - August)							
	<u>A/R Paid</u>		<u>Transactions</u>		<u>Fixed Fees Collected</u>		<u>Average Bill \$</u>
Totals	\$ 1,461,463		11,525		\$ 45,524		\$ 126.81
Residential	\$ 1,373,569	93.99%	10,922	94.77%	\$ 43,142	94.77%	\$ 125.76
Non-Residential	\$ 87,893	6.01%	603	5.23%	\$ 2,382	5.23%	\$ 145.76

As one can readily see, each year the number of credit card transactions for residential customers increased by over 20%, which is consistent with national increasing online bill payment trends, and the \$3.95 Fixed-Fee collected for 2015 and 2016 was equivalent to \$44,544 and \$55,166, respectively, or just under a 24% increase. Assuming all things

1 equal, when projecting the full 2017-year, Southern Pioneer can expect the 2017 credit
2 card usage to average 16,383 total residential transactions and approximately \$64,713 in
3 Fixed Fees collected. Again, this usage pattern and level is consistent with the prior year's
4 uptick in volume and corresponding fees collected.

5 **Q. Continue please.**

6 A. These fees collected from residential customers, which represented 87.41% to 94.77% of
7 all credit card transactions made annually, range from a low of \$44K to an estimated high
8 of \$65K collected in Fixed-Fees annually, and if the fees were to be absorbed in the cost
9 of service or FBR Program, it would represent 0.10% of Southern Pioneer's total
10 operating cost (includes the Cost of Purchased Power) of \$66,568,189⁴.

11 **Q. Earlier you testified that Southern Pioneer's agent NISC projected that if customer**
12 **usage of qualified credit cards going forward remains similar to prior years,**
13 **Southern Pioneer could anticipate the Standard Fee transaction cost to be in the**
14 **\$1.05 to \$1.13 neighborhood for the majority of credit card transactions. How does**
15 **this fee compare to the \$3.95 Fixed-Fee currently paid by customers using a credit**
16 **card and what would be the impact to the amount absorbed in Southern Pioneer's**
17 **cost of service or FBR Program going forward?**

18 A. The NISC Fixed-Fee of \$3.75 currently paid by the customer using a credit card compares
19 to the estimated Standard Fee of \$1.05 to \$1.13. In being conservative, if one uses the
20 higher of the two Standard Fee projections, that is \$1.13, as Southern Pioneer qualifies for
21 the Utility Rate, and the 2017 projected 16,383 residential credit card transactions,
22 because of the lower interchange fee, no application fee, early termination fee, service fee,

⁴ Based on Southern Pioneer's 2017 Annual DSC FBR Update Filing in Docket No. 17-SPEE-476-TAR, Exhibit 3-A, p. 1, line 21.

1 statement fee or monthly minimums, the total Standard Fees absorbed annually by
2 Southern Pioneer consumers would be equivalent to \$18,513 approximately. This is well
3 under the \$64,713 we expect customers to pay in 2017. Even if the credit card usage
4 doubles or triples, as NISC indicates tends to occur when transaction fees charged and
5 limits are eliminated or not passed through to individual customers, the Standard Fees
6 incurred and absorbed in total will be roughly \$56,000 per year, which is still less than
7 today.

8 **Q. Are there benefits to accepting credit cards as a zero fee based option and not**
9 **charging a convenience fee?**

10 A. Yes, there are several benefits for all parties. First, from the customer's perspective, there
11 is what I call the "Three C's" which we believe will further improve customer satisfaction
12 and retention:

- 13 • *Choice:* Cash flow and ability to earn points.
- 14 • *Convenience:* Easy, quick, and saves time.
- 15 • *Control:* Eliminate stress knowing bills are paid on time.

16 From the utility's perspective there are several:

- 17 • Increase customer service satisfaction;
- 18 • Improve cash flow;
- 19 • Reduce collections, write-offs, and disconnects;
- 20 • Expenses decrease for Customer Service since customers, who use their credit card
21 for Automatic Bill Payment make fewer calls to customer service centers due to
22 billing issues; and

- May reduce in-office in-person customer traffic, which currently averages over 300 cash-paying customers daily.

Furthermore, by utilizing credit cards without the financial burden of a transaction fee, it will allow residential customers disconnected (or about to be disconnected) to go online and immediately pay their bill through one of Southern Pioneer's many interactive NISC online payment portals such as SmartHub, E-bill, Call Capture's Secure Payments, Interactive Voice Response or Pay Now, and due to the real-time account posting within NISC's customer billing software, immediately avoid disconnection or restore service. This ultimately, as stated, results in handling fewer calls, offers flexible options and provides methods of payment to aid in the reduction of collections, write-offs and prevention of disconnects, all while promoting customer satisfaction and reducing operating costs, etc.

V. REVISION TO RULES AND REGULATIONS

Q. Can you summarize the revisions to Southern Pioneer's Rules and Regulations necessary to implement this waiver?

A. Yes, I can. Index R7, Section K, Sheet 3 of 3 of the Southern Pioneer Commission-approved Rules and Regulations, attached to my testimony as Magnison Exhibit – 2, requires minor rewording. Specifically, in Section K, any reference to the \$3.95 per transaction fee when using a debit or credit card has been struck. Section J has been inserted and titled "Payment Options" to define and clarify language to 1) better identify the zero-fee payment options (cash, check, ACH or E-Check) currently available to all customers as defined in the Commission's minimum standards for payment methods, and 2) for residential customers only, when paying on-line or at a kiosk using a debit or credit

1 card and accessing Southern Pioneer's on-line NISC gateway portals such as SmartHub
2 and Mobile E-bill, PayNow, CallCapture secure payment hosted IVR, cash register secure
3 Verifone Card Terminals, virtual terminals and payment kiosk or MoneyGram, no fee will
4 be assessed. Both a marked up and clean copy of the Rules and Regulations Index,
5 attached as Magnison Exhibit – 4 and Index R7, Section K, Sheets 1 through 4, is attached
6 as Magnison Exhibit – 3 of my testimony.

7 **Q. Does this conclude your Testimony?**

8 A. Yes, it does.

**Application of Southern Pioneer Electric Company
Seeking Waiver of Minimum Standards for Payment Methods for Utility Bills
and Allowing the Acceptance of Credit Cards and the Approval of
Revisions to their Schedule of Fees Related to the Assessment of Credit
Card Convenience Fees**

VERIFICATION OF RANDALL D. MAGNISON

STATE OF KANSAS)
) ss:
COUNTY OF GRANT)

Randall D. Magnison, being first duly sworn, deposes and says that he is the Randall D. Magnison referred to in the foregoing document titled "Prefiled Direct Testimony of Randall D. Magnison" before the State Corporation Commission of the State of Kansas, that he is an officer of Southern Pioneer Electric Company, and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.



Randall D. Magnison

SUBSCRIBED AND SWORN to before me this 7 day of December 2017.





Notary Public

My Appointment Expires: 9-30-2021

Magnison Exhibit – 1

**Minimum Standards for Payment Methods for Utility Bills and
Allowing the Acceptance of Credit Cards**

Magnison Exhibit - 1

KANSAS CORPORATION COMMISSION

MINIMUM STANDARDS FOR PAYMENT METHODS FOR UTILITY BILLS AND ALLOWING THE ACCEPTANCE OF CREDIT CARDS BY KANSAS JURISDICTIONAL ELECTRIC, NATURAL GAS, AND WATER UTILITIES

The following standards for bill paying methods shall apply:

- (A) Customers can choose the method of bill payment.
- (B) A "zero fee" payment method is one in which the customer is not charged a fee for use of the payment method above the actual amount of the utility bill being paid. Postage or money order fees necessary to mail a payment shall not be considered a fee. A "nonzero fee" payment method is any payment method for which the utility or its authorized agent proposes to charge a fee above the actual amount of the utility bill being paid.
- (C) Customers shall be provided a choice of zero fee payment methods which shall include, at a minimum, payment by mail using check or money order, and payment in person using check, money order, or cash. If electronic checks (ECM) are accepted by the utility or by an authorized agent of the utility, they shall be accepted as a zero fee method.
- (D) The following general principles shall govern the use of nonzero fee payment alternatives such as credit, debit and ATM card payments (hereinafter "credit cards"):
 - (1) the utility shall fully disclose: (i) all payment methods; and (ii) the fees to the customer associated with each payment method; and
 - (2) the costs to the utility associated with accepting nonzero fee payment alternatives should be exclusively borne by the users of such payment methods.
- (E) The utility shall notify the Commission upon closing walk-in payment locations and explain what other options for in person payments will be made available to the customer.
- (F) Unless otherwise authorized, customers paying utility bills by any zero fee payment method shall not be charged a fee to transact business with the utility or with an authorized agent of the utility.
- (G) Utilities have the option to offer electronic payment methods such as credit cards according to the desires of its customers and the ability of the utility to accommodate

them. Utilities are not required to offer customers the opportunity to pay their bills with such payment methods.

(H) Utilities wanting to accept nonzero fee payment alternatives as a form of payment must have Commission approval.

(I) Credit card fees incurred by the customer must be reasonable.

(1) If utilities make alternative payment options such as credit cards available, utilities shall make a diligent effort to provide customers with a reasonably cost effective means of utilizing such payment methods.

(2) The fees associated with credit card use shall cover all of the costs to the utility of such payment methods. Customers not paying with credit cards shall not be burdened with the transaction costs of customers utilizing these payment methods. Any fees associated with credit card use should be reasonably related to the costs of payment by credit card and the receipt of such fees by the utility should be revenue neutral to the utility.

(3) The Commission does not require a utility to choose its vendor through a competitive bid process. The utility must provide evidence to the Commission to show that the utility made diligent efforts to provide a reasonably cost effective means for customers to use their credit cards.

(4) The Commission shall have the right to review any contract/agreement entered into with a vendor or bank for transacting credit card payments and shall disallow recovery by the utility of any credit card cost not deemed reasonable and prudent.

(J) The level of customer service must be preserved.

(1) All authorized payment methods shall comply with the Commission's Electric, Natural Gas and Water Billing Standards.

(2) The utility is ultimately responsible for making sure customers are satisfied and that the vendor follows the Billing Standards, Quality of Service Standards and other rules of the Commission.

(3) The utility shall attempt to resolve disputes or complaints regarding payments accepted by utility authorized vendors in accordance with the Commission Billing Standards.

(4) The utility shall provide a complete list of all available payment options and the amount of any associated fees payable by customers for all types of payment methods (mail, walk-in, ACH, credit card, debit card, ATM, etc.) on the utility's web site, at local offices and authorized pay stations, in tariffs, and through customer service.

(5) For purposes of determining whether payment has been made, all utility authorized pay centers and authorized vendor/agents shall be considered to be agents of the utility, and all payments made to such agents shall be treated the same as if paid directly to the utility. Pay centers not authorized by the utility are not agents of the utility and payment is deemed made when received by the utility.

(6) Each utility accepting credit cards shall provide a toll-free number for customers to make credit card payments by phone.

(7) Each utility accepting credit cards shall include information and instructions regarding all payment methods, including any additional fees, and shall include links to vendor or financial institutions that provide the credit card services.

(8) Each customer choosing to pay by credit card, whether by telephone, internet, or paper bill remittance, shall be advised, prior to providing the credit card number, of the amount of any additional fee and must answer in the affirmative to proceed with the payment process.

(9) The utility shall provide an annual notice to customers. The notice should inform customers of authorized bill payment options and where customers can find a list of authorized payment centers. The utility shall advise customers of the potential impact of using unauthorized payment sources. Such notice shall be provided to the Commission for review at least 30 days prior to being mailed to customers.

(K) Utilities shall be in compliance with Commission Rules and Regulations before charging fees for bill payment.

(1) Utilities wanting to accept credit card payments directly or through a third party vendor, or utilities wanting to accept payment by any other nonzero fee payment method shall file an application, including GT&C and/or Schedule of Service Fees for the method(s) of payment, requesting Commission approval.

(2) The utility may be required to provide documentation necessary to demonstrate compliance with (I)(2) regarding all costs associated with accepting credit card payments.

(3) Each utility, upon commencement of the acceptance of credit cards, shall provide its customers with notice including: a complete list of all available payment options and the amount of any associated fees payable by customers, information and instructions regarding all payment methods, and step-by-step instructions of how to pay by credit card.

Magnison Exhibit – 2

**Southern Pioneer Commission-Approved Rules and Regulations
Index R7, Section K, Sheet 3 of 3**

THE STATE CORPORATION COMMISSION OF KANSAS

Index No. R7 SOUTHERN PIONEER ELECTRIC COMPANY

(Name of Issuing Utility)

Schedule: R&R UtilityReplacing Schedule ORIGINALWhich was filed INITIALSERVICE AREA

(Territory to which schedule is applicable)

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

Sheet 1 of 3 Sheets

VII. UTILITY'S SERVICE OBLIGATIONSA. TYPE OF SERVICE

The service to be furnished under these rules shall be at 120/240 volts, 60 cycle, single-phase, or three-phase where available.

B. CONTINUITY OF SERVICE

The Company will use reasonable diligence in furnishing a regular and uninterrupted service, but it shall not be liable in damages for any interruption of service due to accidents, legal processes, breakdown or injury to the equipment of the Company, or other conditions beyond the control of the Company.

C. TEMPORARY SERVICE

Service for any period of less than the regular contract period of five (5) years may be furnished at the request of the customer and the Company shall charge the energy rate herein provided and a minimum charge based on the cost of the construction to serve the temporary customer plus all labor costs of connection and disconnection of the customer. Connection of such temporary nature shall not affect the minimum charge of existing customers.

D. REQUEST FOR INVESTIGATION


The Company stands ready to render adequate and satisfactory service. If the customer feels that service is not satisfactory, the nearest office of the Company should be notified in order that a proper investigation may be made.

E. SAVING CLAUSES1) Rates

The rates under which the bills for services are rendered are the present legal rates of the Company on file with the Commission and are subject to change in manner authorized or permitted by Law.

Issued November 21 2013
Month Day Year

Effective November 21 2013
Month Day Year

By 
Stephen J. Epperson President & CEO

13-MKEE-447-MIS
Approved 
Kansas Corporation Commission
November 21, 2013
/S/ Kim Christiansen

SOUTHERN PIONEER ELECTRIC COMPANY

(Name of Issuing Utility)

Schedule: R&R UtilityReplacing Schedule ORIGINALWhich was filed INITIALSERVICE AREA

(Territory to which schedule is applicable)

No supplement or separate understanding

shall modify the tariff as shown hereon.

Sheet 2 of 3 Sheets

2) Rules and Regulations of the State Corporation Commission

These rules, regulations and conditions of service in no way supersede or modify any general rules or lawful orders of the Commission. If there is any conflict it shall be understood that the standard rules and regulations and the lawful orders of the Commission shall control, unless the Commission shall give approval of the Company's rules or regulations.

3) Franchise Provisions

If any rule or regulation herein shall conflict with the provisions of any franchise under which the Company is now operating or may hereafter operate in any municipality, then the provision of such franchise shall govern unless and until same shall have been changed by lawful order of the State Corporation Commission.

F. WAIVER OF REQUIREMENTS

The requirements contained in these standards may be waived in individual cases by the Commission upon written request by the utility and a showing that compliance with the requirement would serve the interests of neither the utility nor the customer.

G. MAINTENANCE AND REPLACEMENT OF SERVICES

Company will maintain and replace when necessary all service wires, and appurtenances furnished by Company to serve customer. Customer will maintain and replace when necessary all wires, and appurtenances furnished by customer for reception and use of electrical energy, and maintain them at all times in condition to render satisfactory service.

H. INFORMATION REGARDING LOCATION AND CHARACTER OF SERVICE

Upon request by any party interested therein, the Company shall furnish necessary information regarding the location of its distribution pole lines, service wires or underground wires, and the character of service available to any location.

Issued November 21 2013
Month Day YearEffective November 21 2013
Month Day Year

By



Stephen J. Epperson

President & CEO

13-MKEE-447-MIS
Approved 
Kansas Corporation Commission
November 21, 2013
/S/ Kim Christiansen

SOUTHERN PIONEER ELECTRIC COMPANY

(Name of Issuing Utility)

Schedule: R&R UtilityReplacing Schedule ORIGINALWhich was filed INITIAL

SERVICE AREA

(Territory to which schedule is applicable)

No supplement or separate understanding

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Sheet 3 of 3 Sheets

I. CHARGES FOR WORK DONE ON CUSTOMER'S PREMISES

The Company shall charge for all material and labor furnished at customer's request in the replacement or repair of customer owned wiring or equipment. The Company shall not charge for any costs of replacements or repairs to equipment furnished and owned by the Company on customer's premises except when damage is due to negligence or misuse of customer or when moved at customer's request.

J. AVAILABILITY

Service under these rules shall be available to any new customer within such Company's certified territory and upon execution of a contract for a minimum period of 5 years.

K. SCHEDULE OF FEES SECTION

Applicable for customer charges under the Company's Rules and Regulations currently on file or as re-filed from time to time with the Kansas Corporation Commission.

	<u>Bus. Hrs.</u>	<u>After Hrs. (A)</u>
1) Connection Charge.....	\$8.00	\$16.00
Customers must be informed of after hours charges.		
2) Collection charge	\$15.00	
3) Disconnection charge	\$15.00	
4) Reconnection charge.....	\$15.00	
5) Meter Reading charge	\$15.00	
6) Returned Check Charge	\$30.00	
(Per KSA 60-2610)		
7) Bill Payment		
Pay in Person	No Fee	
Pay On-Line (credit card only)	\$3.95 per transaction	
Pay By Phone (credit card only)	\$3.95 per transaction	

(A) Customer must be informed of after hour charges.

Issued November 21 2013
Month Day Year

Effective November 21 2013
Month Day Year

By 
 Stephen J. Epperson President & CEO

13-MKEE-447-MIS
 Approved 
 Kansas Corporation Commission
 November 21, 2013
 /S/ Kim Christiansen

Magnison Exhibit – 3

**Marked Up and Clean Copy of
Southern Pioneer Rules and Regulations
Index R7, Section K, Sheet 1 Through 4**

THE STATE CORPORATION COMMISSION OF KANSAS

Index No. ____R7

SOUTHERN PIONEER ELECTRIC COMPANY

(Name of Issuing Utility)

Schedule: R&R Utility

SERVICE AREA

(Territory to which schedule is applicable)

Replacing Schedule ~~INITIAL~~ORIGINALWhich was filed November 21, 2013~~INITIAL~~

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Sheet 1 of 43 SheetsVII. UTILITY'S SERVICE OBLIGATIONSA. TYPE OF SERVICE

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Month Day Year

Effective _____
Month Day Year

By _____
Randall D. Magnison Executive VP-Assistant CEO

SOUTHERN PIONEER ELECTRIC COMPANY

(Name of Issuing Utility)

Schedule: R&R Utility

SERVICE AREA

(Territory to which schedule is applicable)

Replacing Schedule ~~INITIAL~~ ORIGINALWhich was filed November 21, 2013 ~~INITIAL~~

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Randall D. Magnison Executive VP-Assistant CEO

SOUTHERN PIONEER ELECTRIC COMPANY

(Name of Issuing Utility)

Schedule: R&R Utility

SERVICE AREA

(Territory to which schedule is applicable)

Replacing Schedule INITIAL~~ORIGINAL~~Which was filed November 21, 2013~~INITIAL~~No supplement or separate understanding
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Service under these rules shall be available to any new customer within such Company's certified territory and upon execution of a contract for a minimum period of 5 years.

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5) Meter Reading charge	\$15.00	
6) Returned Check Charge	\$30.00	
(Per KSA 60-2610)		

~~7) Bill Payment~~~~Pay in Person~~~~No Fee~~~~Pay On Line (credit card only)~~~~\$3.95 per transaction~~~~Pay By Phone (credit card only)~~~~\$3.95 per transaction~~

(A) Customer must be informed of after hour charges.

Issued _____
Month Day YearEffective _____
Month Day YearBy _____
Randall D. Magnison Executive VP-Assistant CEO

SOUTHERN PIONEER ELECTRIC COMPANY

(Name of Issuing Utility)

Schedule: R&R Utility

SERVICE AREA

(Territory to which schedule is applicable)

Replacing Schedule ~~INITIAL~~ORIGINALWhich was filed November 21, 2013~~INITIAL~~

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

Sheet 3 of 43 SheetsL. Bill Payment Options

Pursuant to and consistent with the Commission's minimum standards for payment methods,
Customers of the Company may use the following options when paying their electric bill:

Free Options – Currently Available to All Customers

Cash, Check, ACH or E-Check currently available to all customers.

Credit Cards – Limited to Residential Customers

For Customers taking service under the Commission-approved Residential Tariff, no transaction fee will be assessed when paying on-line, at a virtual terminal or kiosk using a debit or credit card and accessing the Company's on-line NISC gateway portals such as SmartHub and Mobile E-bill, PayNow, CallCapture secure payment hosted IVR, cash register secure Verifone Card Terminals, virtual terminals and payment kiosks or MoneyGram.

Issued _____
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Month Day Year

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Randall D. Magnison Executive VP-Assistant CEO

Magnison Exhibit – 4

**Marked Up and Clean Copy of
Southern Pioneer Rules and Regulations Index**

THE STATE CORPORATION COMMISSION OF KANSAS

Index No. R0

SOUTHERN PIONEER ELECTRIC CO.

Schedule: R&R Index

(Name of Issuing Utility)

Replacing Schedule R&R Index

SERVICE AREA

Which was filed OctoberDecember 120, 2017

(Territory to which schedule is applicable)

No supplement or separate understanding
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Sheet 1 of 5 Sheets

GENERAL RULES & REGULATIONS
APPLYING TO ELECTRIC SERVICE

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Issued October 1 2017
Month Day YearEffective October 1 2017
Month Day YearBy _____
Randall D. Magnison Executive VP - Assistant CEO

THE STATE CORPORATION COMMISSION OF KANSAS

Index No. R0

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Issued October 1 2017
Month Day YearEffective October 1 2017
Month Day YearBy _____
Randall D. Magnison Executive VP - Assistant CEO

SOUTHERN PIONEER ELECTRIC CO.

Schedule: R&R Index

(Name of Issuing Utility)

Replacing Schedule R&R Index**SERVICE AREA**Which was filed OctoberDecember 120, 2017

(Territory to which schedule is applicable)

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Issued October 1 2017
Month Day YearEffective October 1 2017
Month Day YearBy Randall D. Magnison Executive VP - Assistant CEO

THE STATE CORPORATION COMMISSION OF KANSAS

Index No. R0

SOUTHERN PIONEER ELECTRIC CO.

Schedule: R&R Index

(Name of Issuing Utility)

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THE STATE CORPORATION COMMISSION OF KANSAS

Index No. R0

SOUTHERN PIONEER ELECTRIC CO.

Schedule: R&R Index

(Name of Issuing Utility)

Replacing Schedule R&R Index

SERVICE AREA

Which was filed OctoberDecember 120, 2017

(Territory to which schedule is applicable)

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

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