

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

MAY 31 2006

In the Matter of the Filing of Compliance)
Tariffs and Reports by Jurisdictional) Docket No. 06-GIMX-679-GIV
Utilities as Prescribed by Commission)
Order Dated November 28, 2005 in Docket)
No. 04-GIMX-651-GIV.)

 Docket
Room

REPORT

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (Staff and Commission respectively) and submits this Report.

1. On November 25, 2006 the Commission issued an Order in Docket No. 04-GIMX-651-GIV adopting Minimum Standards for Payment Methods for Utility Bills and Allowing the Acceptance of Credit Cards by Kansas Jurisdictional Electric, Natural Gas, and Water Utilities (Minimum Standards).

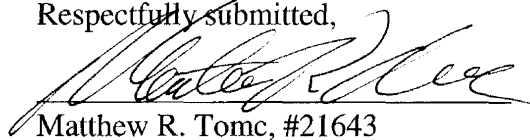
2. In its November 25, 2006 Order in Docket No. 04-GIMX-651-GIV, the Commission required that all Kansas jurisdictional gas and electric utilities come into compliance with the Minimum Standards.

3. On January 17, 2006, Staff filed a Report recommending that a docket be opened in order to establish a record of matters relating to compliance with the Minimum Standards.

4. Staff has been monitoring compliance and compiling relevant information. Staff has prepared a Memorandum summarizing the current status of compliance efforts. Staff's Memorandum is attached hereto as Attachment "A."

WHEREFORE, Staff respectfully submits this Report to the Commission for its consideration.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matthew R. Tomc", is written over a horizontal line.

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MICHAEL C. MOFFET, COMMISSIONER

MEMORANDUM

May 22, 2006

Compliance with Minimum Standards for Payment)
Methods for Utility Bills and Allowing the)
Acceptance of Credit Cards by Kansas jurisdictional) Docket No. 06-GIMX-679-GIV
Electric, Natural Gas, and Water Utilities. Docket)
No. 04-GIMX-651-GIV)

To: Chair Moline
Commissioner Krehbiel
Commissioner Moffet

From: *DAM* Dorothy Myrick, *SAC* Sonya Cushinberry, *Alba* Tom DeBaun

DATE SUBMITTED TO LEGAL: 5/24/06

DATE SUBMITTED TO COMMISSIONERS: 5/31/06

BACKGROUND

The Commission issued an Order in the General Investigation Regarding Payment of Customer Accounts by means of Fee-based Transactions, Including Third Party Services.¹ The Commission determined that six months was an appropriate time for utilities to come into compliance with the Minimum Standards. (Order, Paragraph 57) Therefore, all jurisdictional utilities are required to be in compliance with the Commission's Order by **May 28, 2006**.

A company, or its agent, currently charging fees for payment at walk-in payment locations or charging fees for payment by credit/debit card without Commission authorization shall cease charging the fees as of May 28, 2006.

The Commission Order, dated March 17, 2006, in Docket No. 06-GIMX-679-GIV stated that all jurisdictional electric and gas utilities may file appropriate tariffs and other materials for Staff review in this docket as necessary to comply with the Commission's November 22, 2005

¹ Order On Reconsideration, November 22, 2005, as corrected, Order Nunc Pro Tunc, November 28, 2005 Docket No. 04-GIMX-651-GIV.

Order in 04-GIMX-GIV. The filing requirements are utility specific depending on the bill payment methods accepted by the company. Therefore, Staff set out the following guidelines:

1. Every jurisdictional utility is required to file revised General Terms and Conditions (GT&C) that conform to the provisions of the Minimum Standards. This requirement is applicable to all jurisdictional utilities regardless of the company's plan to offer the option of payment by credit/debit card to its customers. Companies not wanting to accept credit cards for bill payment should file in Docket No. 06-GIMX-679-GIV.
2. Utilities currently accepting credit/debit cards for bill payment and utilities requesting approval for a new credit/debit card program must submit an application and obtain authorization in a company specific docket.
3. Upon the commencement of the acceptance of credit cards, utilities are required to provide customers with notice of all available payment options, the amount of any fees payable by customers, information and instructions regarding all payment methods, and step-by-step instructions of how to pay by credit card. (Minimum Standards, K3) Such notice shall be provided to the Commission for review as part of the utility's application for approval to accept credit/debit cards.
4. The Commission also requires that all utilities 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. Utilities are required to submit the annual notice to the Commission for review at least 30 days prior to being mailed to customers.
5. In addition to the compliance requirements listed above, the utility shall notify the Commission upon closing company business offices and walk-in payment locations and explain what other options for in-person payments will be made available to the customer. All jurisdictional utilities will provide a complete list of authorized locations for in-person payments as of December 31, 2005. Reporting for authorized locations closed during the first quarter of 2006 was due by April 15, 2006. Future reports are to be filed quarterly in Docket No. 06-GIMX-679-GIV.

COMPLIANCE SUMMARY

General Terms and Conditions

On January 3, 2006, a Staff Memorandum was mailed to all jurisdictional electric, natural gas and water utilities. This letter reviewed the Commission's November 28, 2005, Order and outlined a procedure for compliance. On February 17, 2006, an additional Staff Memorandum was sent to all municipal utilities with jurisdictional customers. In response to requests from several Cities, Staff placed the newly adopted language on the proper tariff forms for use in complying with the Order. The generic tariffs were only available to municipals that did not

want to offer customers the option of using a credit/debit card for bill payment. Nearly all jurisdictional electric, natural gas and water utilities have complied with the Commission's Order. To date, ten municipalities and two water districts have not filed compliance tariffs. Staff will personally contact all remaining utilities that have not filed compliance tariffs by May 28, 2006.

Bill payment by credit/debit card

Six jurisdictional utilities have indicated an interest in accepting credit cards for customer bill payment. Kansas Gas Service (Docket No. 05-KGSG-1012-TAR) and Southwestern Public Service (Docket No. 06-SWPE-224-TAR) have received Commission approval for credit card fees. The rates to be charged customers for each credit card transaction are \$2.13 for KGS and \$4.85 for SWPE. Aquila Inc., d/b/a Aquila Networks – KGO (Docket No. 06-AQLG-659-TAR) and Aquila Networks – WPK (Docket No. 06-AQLE-687-TAR), Atmos Energy (Docket No. 06-ATMG-660-TAR) and Empire District Electric Company (Docket No. 06-EPDE-661-TAR) currently have applications for the acceptance of credit cards before the Commission. All four companies have requested credit card transaction fees of \$3.95 each.

Kansas City Power and Light (KCPL) in its recent rate case (Docket No. 06-KCPE-828-RTS) requested Commission approval for the acceptance of customer bill payment by credit card. The Company has proposed a program that is available only to residential customers. Customers using the credit card bill payment option will not be charged an additional fee for the transaction. KCPL estimates that the average cost for limited credit card program will be similar to the Company's average cost of walk-in pay locations and therefore, has proposed that the costs be recovered in rates. This issue will be decided in the overall context of the rate case.

Midwest compliance filings for Terms and Conditions (Natural Gas and Electric) are in Docket No. 06-MDWG-1122-TAR and Docket No. 06-MDWE-1123-TAR, respectively. The utility is not requesting approval for any fees associated with credit/debit/ATM card use in these dockets. Presently, Midwest is receiving vendor proposals and acknowledges that Commission approval will be required before fees can be charged for credit card use. Westar Energy, Inc. has also indicated an interest in bill payment by credit card. The company's General Terms and Conditions compliance filing is in Docket No. 06-WSEE-899-TAR. At the appropriate time, Westar will make a formal request for Commission approval of a credit card bill payment option.

Reporting for in-person payment methods

Typically, utilities with a large number of customers, serve customers in a diverse geographic territory, or have closed company business offices contract with third party vendors to provide walk-in payment locations for customers. Companies reporting on authorized walk-in pay locations include: Aquila Inc., Atmos Energy, Empire District Electric, Kansas Gas Service, Kansas City Power & Light, Midwest Energy, Southwestern Public Service and Westar Energy.

On December 31, 2005, these companies had a total of 234 company business offices and pay stations open in Kansas. For the quarter period ending March 31, 2006, the companies reported that 29 locations were closed and 9 new locations were opened. Staff does not consider

this to be a trend towards reducing the number of pay locations available to customers. Out of the 29 pay stations closed in the first quarter of 2006, Westar had the greatest number of closings at 23. This was due to a situation outside the control of the utility. Payment stations that were previously authorized by Westar switched to equipment that resulted in an unauthorized payment method.

The net effect on pay locations for Aquila Inc., Atmos and Empire was a net gain of five pay stations during the first quarter of 2006. Kansas Gas Service, Midwest Energy, and Southwestern Public Service pay locations remained virtually the same from the beginning to the end of the quarter. Kansas Gas Service also reported that the company now has 19 kiosks in operation for bill payment.

This memo is to be filed in Docket No. 06-GIMX-679-GIV to provide permanent documentation of utility compliance with the Commission's Order. Specific copies of tariffs and reports filed for compliance in Docket No. 06-GIMX-679-GIV are available by calling 785 271-3165 and asking for Dorothy Myrick or Sonya Cushinberry.

CERTIFICATE OF SERVICE

06-GIMX-679-GIV

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Report was placed in the United States mail, postage prepaid, or hand-delivered this 31st day of May, 2006, to the following:

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