

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Brian J. Moline, Chair
 Robert E. Krehbiel
 Michael C. Moffet

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 No. 07-GIMX-446-GIV

ORDER

NOW COMES the State Corporation Commission of the State of Kansas (“Commission”) and having examined its files and records and being fully advised in the premises, the Commission, on its own motion, opens the following investigation.

1. On January 16, 2004, Westar Energy, Inc. and Kansas Gas and Electric Company (collectively referred to as “Westar”) filed an Application to approve proposed amendments to Section 3 of Westar Energy's General Terms and Conditions (“GT&C”), Kansas Gas and Electric's Service Regulations for Electric Service and for a blanket waiver of certain guidelines in the Commission's Billing Standards. Westar sought a general waiver of the Commission's Billing Standards to modify its tariff to allow additional reasons to change the deposit for existing large commercial/industrial customers where the deposit exceeds \$5,000.

2. On September 7, 2004, the Commission issued an order denying Westar’s request to amend its Credit and Security Deposit Regulations because Westar's proposed method of classifying customers, based on the amount of their deposit, was contrary to the Commission's Billing Standards and could create confusion and possible discrimination. Likewise, Westar's request for a general waiver of the Commission's Billing Standards was denied because it was

inconsistent with the requirements of the Commission's Billing Standards. However, the Commission determined that a generic docket should be opened to review the Billing Standards as they relate to security deposits. Docket No. 04-WSEE-620-TAR.

3. The Commission has authority and jurisdiction to supervise and control electric public utilities and to do all things necessary and convenient for the exercise of such power, including exerting authority over the relationship between a public utility and its customers as that relationship applies to the utility's billing practices. K.S.A. 66-101 *et. seq.*

4. Section III of the Commission's current Billing Standards presently addresses issues related to security deposits for both residential and nonresidential customers. This Section addresses security deposits at the time of application for service, after application for service, the amount of the security deposit, payment of the security deposit, a utility's obligation to maintain security deposit records, the terms and conditions governing use, retention and return of the deposit, and *inter alia*, return of the security deposit.

5. The Commission determines that a generic review of the Commission's current Billing Standards as they relate to security deposits for residential and nonresidential customers of gas, electric and water public utilities is reasonable.

6. The Commission makes all Kansas jurisdictional gas, electric and water certificated public utilities parties to this investigation. In addition, the Commission makes the Citizens' Utility Ratepayer Board ("CURB") a party to this docket, as the statutorily created agency authorized pursuant to K.S.A. 66-1223 to represent the interests of the residential and small commercial ratepayers in utility proceedings.

7. The Commission invites all parties to address the following issues, as those issues relate to security deposits. Likewise, if the parties believe other issues regarding the

Commission's Billing Standards relating to security deposits should be addressed, please specify the issues and the party's asserted position. The Commission would specifically address the following questions:

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?

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?

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 disconnected, etc.?

D. Does "any time after the application for service" refer to existing customers only? How should "existing customer" be defined? Is a customer that has been disconnected an existing customer? How long does a customer have to be disconnected before the customer is no longer considered an existing customer? Is there a middle ground between a new customer and an existing customer?

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

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?

G. Creditworthiness -- can utilities use credit score methods to evaluate satisfactory credit ratings? If so, should the methodology be consistent between all utilities?

H. Do changes in character or volume of service need to be defined? If so, how should those changes be defined? Should the standards be different for residential and non-residential customers?

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.?

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?

8. Parties to this docket shall have 60 days from the date of this order in which to file their initial list of issues and positions. Thereafter, the parties shall have an additional 30 days to respond or reply to issues raised by other parties in the docket.

9. The Commission staff (Staff) is directed to investigate Section III of the Commission's Billing Standards as they relate to security deposits for both residential and nonresidential customers, and to review findings and experiences of other states with regard to such practices. Staff may conduct its investigation through discovery, informal workshops with interested parties and other suitable procedures. Staff should provide the Commission with a

report, containing a discussion of options and possible recommendations regarding this matter as appropriate.

10. This order and the final order will be served on all jurisdictional gas, electric and water public utilities certificated in this state. Any party (see ¶6, above) wishing to receive pleadings and other orders shall enter an appearance in this docket by November 30, 2006. Because a service list will not be available for the initial round of comments served on the Commission, parties intending to file reply comments must download copies of comments from the Commission’s website and serve reply comments on parties that have filed comments or entries of appearance. Because K.S.A. 77-531 requires that “[s]ervice of an order or notice shall be made upon the party and the party’s attorney of record . . .,” entries of appearance shall contain not only the service address for the party’s attorney, but also for the party itself. The Citizens Utility Ratepayer Board is made a party to the docket and will be served with all pleadings.

IT IS THEREFORE, BY THE COMMISSION CONSIDERED AND ORDERED THAT:

A. A general investigation into the Commission’s Billing Standards as they relate to security deposits for residential and nonresidential customers of gas, electric and water public utilities is reasonable and the above docket shall be opened for that purpose.

B. A party may file a petition for reconsideration of this Order within fifteen days from the date of service of this Order. If this Order is mailed, service is complete upon mailing, and three days may be added to the above time frame. K.S.A. 66-1 18; K.S.A. 2003 Supp. 77-529(a)(1).

C. The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further Orders or Orders as it may deem necessary and proper.

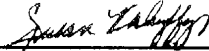
BY THE COMMISSION IT IS SO ORDERED.

Moline, Chr.; Krehbiel, Com.; Moffet, Com.

Date: **NOV 06 2006**

ORDER MAILED

NOV 06 2006

 Executive Director

Susan K. Duffy
Executive Director