

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

Before Commissioners:                    John Wine, Chair  
   Susan M. Seltsam  
   Cynthia L. Claus

In the Matter of Kansas Gas and Electric                    )  
Company (KGE) to Modify its Levelized                    )  
Payment Plan (LPP) of its Service                    )                    Docket No. 99-KG&E-317-TAR  
Regulations.                    )

**ORDER**

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (“Commission”). Having examined its files and records, and being duly advised in the premises, the Commission finds as follows:

**I. BACKGROUND**

1. On October 23, 1998, Kansas and Electric Company (“KGE” or “Company”) filed an application for Commission approval to modify the Levelized Payment Plan (“LPP”) of its Service Regulations. An upgrade in billing software for levelized payment plans has presented KGE with the opportunity to make several changes that will promote the public interest and the interests of its customers who are enrolled in the levelized payment plan. Timeliness is a factor in this filing because the new software implementing the proposed changes will be installed in December,

2. On November 17, 1998, the Commission issued a Suspension Order pursuant to K.S.A. 66-1 17 suspending the operation of the proposed schedule changes and deferring their effective date for a period not to exceed two hundred forty (240) days from the date of the filing, or until June 20, 1999, subject to further order or orders of the Commission.

## II. JURISDICTION

3. Pursuant to K.S.A. 66-104 and 66-101 *et seq.*, the Commission has jurisdiction to supervise and control the electric public utilities doing business in Kansas, and is empowered to do all things necessary and convenient for the exercise of such power, authority and jurisdiction. Pursuant to K.S.A. 66-101b, every jurisdictional electric public utility is required to establish just and reasonable rates, charges, and exactions, and to make just and reasonable rules, classifications, and regulations. Additionally, the Commission, upon its own initiative, may investigate all schedules of rates and rules and regulations of electric public utilities. If after investigation and hearing the Commission finds that such rates or rules and regulations are unjust, unreasonable, unjustly discriminatory or unduly preferential, the Commission shall have the power to establish and order substituted therefor such rates and such rules and regulations as are just and reasonable. K.S.A. 66-101d.

## III. SUMMARY OF PROPOSED CHANGES AND DISCUSSION

4. KGE proposes to make the following changes to the Levelized Payment Plan of its Service Regulations:

- a. Re-name LPP to Average Payment Plan (“APP”)
- b. Use average dollars to levelize bills
- c. Automatic review of each APP account
- d. Automated reminder letters to customers
- e. Historical billing may be estimated
- f. Eliminate references to levelized bills as “estimated”

5. The LPP, as currently utilized by KGE, is an optional plan available to customers who want to reduce the volatility of their monthly energy bills. The existing LPP uses average consumption and existing rates to calculate a customer’s monthly bill. This approach has

generally produced seasonal shifts in the levelized amount due to higher energy costs in the summer. KGE proposes to modify the LPP to base a customer's levelized bill on average dollars over the most recent twelve month period. KGE maintains that using average dollars rather than applying the tariff rates to average billing units will help eliminate the seasonal variation in a customer's bill.

6. KGE states that it will calculate the customer's APP monthly bill based upon the current month's bill and available history, estimated if not known, for the previous eleven months. KGE proposes to make the monthly APP bill calculation by considering:

- a. The sum of the current month billing amount,
- b. plus the previous eleven months' net monthly bills\*,
- c. plus financial transactions that would impact a customer's bill such as rebates and rebills,
- d. divided by twelve
- e. plus Periodic Review Adjustments as described below

\*Late payment penalties, deposits, connections, disconnections, meter fees, etc., in the previous eleven months' bills will not be a part of the APP calculation.

7. KGE asserts that this type of levelized payment, known as a rolling average, will vary from month to month and should be much closer to the true dollar average of a customer's annual bill divided by twelve. KGE further asserts that dollar averages are easier for service representatives to explain and for customers to understand. The customer's bill will also show a "Settlement Balance", which is the net accumulated difference between the amounts calculated under KGE's normal billing procedures and the amounts paid to date on the APP.

8. KGE has provided that the APP account is automatically reviewed on the customer's

anniversary date, and the “Periodic Review Adjustment” is calculated by dividing the settlement balance by twelve. This adjustment is used to determine an increase or decrease to a customer’s APP bill for the twelve months following the review period. KGE will limit the Periodic Review Adjustment to an increase or decrease of 30% of the customer’s APP amount. This method eliminates the need for a true-up month which would require that the entire settlement balance, credit or debit, be added to the level payment in the twelfth month. Without the Periodic Review Adjustment, KGE asserts that a substantial change in the amount of the twelfth month payment might occur.

9. Under the existing levelized payment plan, the periodic review is a manual process initiated by KGE. If, at the time of review, the customer’s debit or credit is substantially different from the cumulative amounts based on actual usage, KGE contacts the customer and the levelized billing payment is adjusted. Currently, customer accounts are not reviewed in any specific time frame. The proposed change to the Service Regulations, which will be applied through the new software, will automatically review each APP account on the customer’s twelve month anniversary date. It will also permit a customer or KGE to initiate a manual review prior to the anniversary date in order to address large over or under collections. If an early review is initiated, the twelve month period starts over.

10. KGE notes that the upgraded APP computer program automatically sends reminder letters which encourage customers to pay on time. Additionally, letters are automatically generated which terminate a customer’s participation in the plan due to non-payment and which explain significant adjustments initiated by the periodic review.

11. KGE states that the proposed APP allows the estimation of average monthly payment

history for any customer. Previously, a customer must have established twelve months of billing history in order to be eligible for the levelized payment plan. This was necessary because the payment calculation used average monthly consumption and existing tariff rates. However, customers who may have had the greatest need to budget their energy purchases through a levelized payment plan might not have been eligible for the plan due to the absence of historical data.

12. KGE further states that the proposed Service Regulations eliminate references to all levelized billings as “estimated bills”. If the current month billing amount is based on an actual meter read, the monthly bill is not estimated. The APP only represents a difference in timing between the bill and the payment. It is not always possible, however, for the Company to read each meter each month. Therefore, if the meter cannot be read, the current month’s billing could be based on estimated usage. KGE notes that any estimated bill will remain subject to the Commission’s Billing Standards on estimated bills that apply to all jurisdictional companies. For example, the bill must be clearly marked as estimated, and an estimated bill may not be rendered for more than three consecutive billing periods.

#### IV. COST OF MONEY

13. Due to the structure of levelized payment plans, there are times when the customer has accumulated excess funds in the APP account and the Company is utilizing the excess. Conversely, there are times when the customer’s account has a deficit and the Company is funding the customer. Commission Staff (“Staff”) has initiated discussions concerning the inclusion of interest charges (cost of money) in levelized payment plans with several jurisdictional utilities. In addition to this docket, there are currently three other companies

involved in dockets before the Commission which propose modifications to their levelized payment plans. These include Docket Nos. 99-WPEE-077-TAR, 99-WSRE-3 16-TAR, and 99-KGSG-3 15-TAR. Staff anticipates at least one other similar filing in the near future. For this reason, Staff believes that further research is necessary in order to adequately assess the reasonableness of the inclusion of interest charges.

14. Staff realizes that software modifications are scheduled to be implemented in December and has no desire to delay the potential benefits to KGE's customers who are enrolled in the LPP. However, Staff believes further research into interest charges is necessary because the above-noted filings will or may be affected by any Commission action concerning interest charges in levelized payment plans in this case. To that end, Staff recommends that the Commission approve the proposed modifications to KGE's levelized payment plan but retain jurisdiction for the purpose of entering such further order or orders in this docket while it continues to consider the issue of the inclusion of interest charges.

15. Staff further recommends that such further order or orders be issued within a period not to exceed 240 days from the date of the filing of the proposed tariff.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

The proposed modifications to KGE's Levelized Payment Plan are hereby approved until further research can be completed as to the reasonableness of the inclusion of interest charges in levelized payment plans and such further order is issued.

If, upon its further investigation, the Commission determines that interest should be included in KGE's levelized payment plan, such further order will direct KGE to modify its existing tariffs accordingly on a going forward basis and will not require the Company to

effectuate a true-up of any deficits or excesses accrued in this interim period.

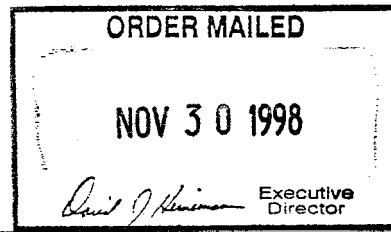
Any party may file a petition for reconsideration of this Order within fifteen (15) days from the date of this Order. If service is by mail, service is complete upon mailing, and three (3) days may be added to the above time frame.

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

BY THE COMMISSION IT IS SO ORDERED.

Wine, Chr.; Seltsam, Corn.; Claus, Corn.

Dated: NOV 30 1998



David J. Heinemann  
Executive Director

AEB