CURB: THE CITIZENS' UTILITY RATEPAYER BOARD OF THE STATE OF KANSAS

CURBside News

NEWS FROM THE WATCHDOG FOR RESIDENTIAL AND SMALL COMMERCIAL CONSUMERS OF UTILITIES APR. 2007

Westar seeks pre-approval for recovery of $318 million for new plant

On December 19, 2006, Westar Energy filed a petition with the KCC seeking pre-approval of the ratemaking principles and treatment that will apply to recovery of the $318 million the company plans to expend on a new generation facility to be built near Emporia. The company wants the KCC to approve the $318 expenditure, and wants preapproval of the initial depreciation rates for the plant.

Westar plans to build two combustion turbines of 300MW each at the Emporia Energy Center. The first unit is slated to come on line in the summer of 2008, and the second should be on line a year later. These units will be supported by an additional $25 million in upgrades to substations and transmission facilities, an amount that is not included in the $318 million to be expended in building the new plant.

In its petition, Westar proposes to file two back-to-back

(See Westar Pre-approval, P. 4)

Aquila sold to KCPL and Black Hills

Aquila has agreed to sell its Kansas natural gas utility, all of its electric utility properties outside of Missouri, as well as other assets in Colorado, Iowa, Nebraska and Kansas to the Black Hills Corporation of South Dakota. The price tag is $940 million.

At the same time, Aquila's remaining assets, primarily its Missouri electric utility, will be acquired by Kansas City Power & Light. Aquila's stockholders will receive KCPL stock in exchange for their Aquila stock. KCPL will also acquire over $1 billion of Aquila's debt.

KCPL and Black Hills have each filed applications with the KCC for approval of the sales, which they hope to close by the end of the year. If approved, Aquila, which has been under financial strain for several years, will no longer be an independent corporation. Aquila's precarious financial condition has been the subject of numerous KCC dockets and court cases in Kansas. CURB will evaluate the proposals and make recommendations to the KCC in due course.

KCC Docket Nos. 07-BHCG-1063-ACQ and 07-KCPE-1064-ACQ

KCPL seeks additional $47.1 million rate increase

On March 1, 2007, Kansas City Power & Light filed its second rate case in as many years. KCPL wants to increase consumer rates an additional $47.1 million, or about 10.8%.

This is the second of four possible rate increases under KCPL's $2 billion, five-year comprehensive energy plan, which was approved by the KCC in 2005. In January 2006, KCPL increased consumer rates $29 million in its first rate case under the plan.

KCPL wants to recover increased expenditures on environmental retrofits at its La Cygne power plant, as well as increases in fuel and operating costs. KCP&L also wants to institute an energy cost adjustment, which would allow the company to flow changes in fuel costs directly to consumers.

KCPL serves approximately 480,000 customers in western Missouri and eastern Kansas, primarily in the Kansas City area. Any increase that the KCC may grant in the current case is not expected to hit consumer bills until January 2008.

KCC Docket No. 07-KCPE-905-RTS

Don't forget to renew your Do-Not-Call List registration!

Consumers who registered for the Kansas No-Call List when it was enacted five years ago will need to re-register because the original registration is only effective for five years and will expire soon.

Residential and cellular phone numbers may be registered on the national list.

You can re-register or register for the first time at the link below. Up to three numbers may be registered online at:
https://www.donotcall.gov .

You can also call toll-free 1-888-382-1222 (or 1-866-290-4236 for TTY), but you must call from the number that you wish to register with the list.

For more information on understanding the Kansas No-Call Act, please visit this link to the Kansas Attorney General's website:
http://www.ksag.org/07Media/07CC/021907_no-call.shtml .

CURB's Dave Springe (right) talks to Dodge City residents about Aquila's proposed increase for its gas operations, as Matt Tomc of the KCC looks on. (April 3, 2007).

Is Kansas ready for a "transmission-only" utility? ITC says yes

ITC Great Plains, a newly-created subsidiary of ITC Holdings, Inc., has filed an application with the KCC to obtain a certificate to operate in Kansas as an electric transmission-only utility. ITC Great Plains, headed by Carl Huslig, a former vice-president of transmission operations for Aquila, plans to build upgrades to the electric transmission system in Kansas and surrounding states.

Historically, electric transmission systems have been wholly-owned and operated by vertically-integrated utilities. A utility's own power lines linked its own generation plants with its customers. Now, utilities routinely buy and sell power from other utilities and wholesale generators, but the electrical grids that were originally designed to serve the needs of individual utilities aren't serving the needs of the new electricity marketplace very well.

ITC wants to change that. If the KCC approves ITC's certificate to operate as a utility in Kansas, ITC will not have any generation facilities or retail customers, but will build transmission lines and sell the use of those lines to other utilities. ITC plans to improve transmission in the region by creating more links between utilities in the region.

KCC Docket No 07-ITCE-380-COC

CURB urges KCC to reduce Aquila rate request by 52%

As we reported in December, Aquila, Inc., filed a rate application on November 1, 2006, seeking a $7.24 million rate increase for its natural gas customers in Kansas. Aquila serves gas customers in Dodge City, Garden City, Lawrence, Wichita, and numerous communities in south central and western Kansas.

Aquila's $7.24 million rate increase request includes a 21% increase in delivery revenue for the residential customer class, and a 32% increase for small commercial customers. The increase would not affect the cost of gas, which makes up a large portion of the gas bill.

After analyzing the company's application, consultants for CURB filed testimony on March 19, 2007, urging the Kansas Corporation Commission to reduce Aquila's rate increase request by 52%. CURB's consultant Andrea Crane recommended a $3.45 million increase, which was $3.79 million less than the company's $7.4 million request.

While some of Aquila's costs have increased, CURB is recommending lower profit levels for shareholders, removal of inappropriate items from rate base, reductions in salary and wage increases, and elimination of vacant positions. CURB is also recommending adjusting employee-related benefits to more reasonable levels.

The company is also seeking to change the way it bills customers by recovering most of its variable delivery charges through a fixed "demand" charge based on the customer's highest monthly usage in the last three years. These are currently charged on a per-therm basis. Aquila also seeks to increase the monthly customer charge to $13.00. The result will be that residential customers will pay a fixed charge each month above $20, even if they use no gas. Small commercial customers will be similarly affected.

As an alternative, Aquila is proposing to collect all of its revenues through the monthly customer charge by increasing the monthly customer charge to $27.62 and eliminating the per-therm commodity charge.

CURB rate design consultant Brian Kalcic filed testimony rejecting Aquila's proposed rate design as simply an attempt to decrease shareholder risk by collecting all of its revenue through fixed monthly customer charges. CURB proposes a rate design that spreads any rate increase between the customer charge and the commodity charge in a manner proportionate to their ratio in existing rates.

Aquila also proposes that customers contribute to a fund that will provide rebates designed to encourage customers to replace furnaces and water heating equipment with more efficient models. Programs to aid weatherization of low-income households will also be supported by the fund.

Aquila would collect .7 cents per therm (less than one penny per therm) from each customer to create and maintain the fund. The average residential customer will contribute about $5.25 per year under this plan.

"We are discouraged that once again rates will increase for consumers," said David Springe, Consumer Counsel. "However, we hope that the new rebate and weatherization fund will help consumers invest in energy conservation to reduce their natural gas usage. Reducing usage through conservation can more than offset any rate increase that may be granted in this case."

The KCC held public hearings on the proposed increase of Aquila's rates in Wichita, Dodge City, and Lawrence. CURB had hoped for a better turnout at the public hearings: none were well-attended. We appreciated those who did come out, however, and hope that more customers will attend in the future.

KCC Docket No. 07-AQLG-431-RTS

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✔ If you do not like to receive offers for credit cards and other credit solicitations, you can reduce the number you receive. Offers based on lists of pre-screened lists from major consumer credit reporting companies can be stopped permanently or for a five-year period. Call **888-567-8688** (toll-free), or sign up online at www.optoutprescreen.com .

✔ Lastly, many companies will voluntarily remove your name from their mailing lists if you request them to do so. It doesn't always work, but many companies believe it builds goodwill with the public to honor such requests. Look for a phone number or address for customer service on the mail that you have received, and let them know you would like to be put on their "do not mail" list.

Westar refunds still up in the air

On February 8, the KCC issued its order on remand to set procedures for determining the refunds due to customers from Westar Energy as a result of the Kansas Court of Appeals overturning the KCC on several issues.

Intervenors CURB, KIC and USD 259 were disappointed with the order for several reasons.

The KCC interpreted the Court of Appeals' ruling that depreciation rates should not include future inflation as applying only to terminal net salvage, which will cost ratepayers several million dollars in refunds. The KCC adopted Staff's, not the Intervenors' calculations of the refunds due to customers, which will reduce the refunds even more. The KCC also decided to allow Westar to file new testimony on investment tax credits, an issue which the Intervenors had requested to be moved to a separate docket.

Perhaps the most disappointing part of the order was the KCC's reiteration of its position on the LaCygne sale/leaseback. The Court of Appeals had said that the KCC had not supported its decision to reverse 20 years of policy that ratepayers were to accrue the benefits of the sale of the plant, because they paid for its construction in the first place. On remand, rather than accepting the Court's rejection of its reversal, the KCC attempted to, as Desi Arnaz used to say, "splain" its reversal. The Intervenors maintain that there is still no evidence in the record that would support the reversal.

After petitioning for reconsideration of these decisions, the Intervenors were denied any relief in the KCC's order of March 20. So, once again, the Intervenors are contemplating resort to the Court of Appeals. Petitions for review will be due in mid-April. In the meantime, the parties will be exchanging testimony on the remaining issues throughout April in preparation for an evidentiary hearing that will begin May 10.

And maybe—just maybe—Westar customers will see refunds rolling their way sometime this summer. Maybe.

KCC Docket No. O5-WSEE-981-RTS

Westar Pre-approval

(Continued from P. 1)

rate cases in 2008 and 2009 to seek recovery for the cost of the plants. KCC rules would permit the company to present an abbreviated applic-ation in 2009 with Commission approval, which would speed up review of the application.

Although CURB is not opposed to approval of Westar's proposal to build 600 MW of new plant, it recommended that the KCC narrowly limit its approval at this time. CURB noted in its responsive testimony that Westar has only contracted to spend $149 million thus far—for new turbines—and argued that the KCC should only approve the inclusion in rates of amounts that have actually been spent by Westar.

CURB also recommended that the KCC conduct prudence reviews for amounts spent above the projected costs. We also recommended that the KCC include the costs of the new generation units in rate base only if they are in service at the time the KCC issues its order.

Additionally, CURB recommended to the KCC that it order Westar to file an integrated resource plan before seeking to place new generation into rate base. This would provide an overview of the company's efforts, if any, to reduce its need for new capacity and to help ensure that the company is taking the right approach in attempting to anticipate its customers' future needs.

Finally, CURB recommended that the KCC wait until the 2008 rate case to set depreciation rates and to rule whether Westar may file an abbreviated application in 2009.

The Commission Staff also took exception to some of Westar's proposals. Staff noted that while the KCC must rule on the company's application within 180 days, it is not required to approve the application. CURB agrees, and hopes that the KCC will give careful consideration before shifting more of the financial risk of building plants from shareholders to ratepayers.

KCC Docket No. 07-WSEE-616-PRE

Billing standards investigation

A general investigation into the Commission's telecommunications billing practices standards was initiated in August 2005. Since then, parties to the docket have attended industry workshops, submitted comments on billing practices standards proposed by Commission Staff, and filed briefs on the issue of whether the Commission has the authority to impose billing standards on wireless Eligible Telecommunications Carriers (ETCs).

The Commission recently issued an Order Addressing Jurisdiction in which it determined that it has the authority to impose billing standards on wireless ETCs as a condition for ETC certification. In addition, the Commission recently scheduled an evidentiary hearing to resolve disputes with the latest billing standards proposed by Staff. The matter is set for hearing August 20-21, 2007.

CURB is concerned that Staff's latest proposal for the billing standards would no longer prohibit line-item surcharges for taxes, fees, and surcharges that are not authorized by federal, state, or local governments. Many surcharges currently charged by telephone companies in Kansas are deceptive and misleading, and CURB will ask the KCC to prohibit them in the Commission's new billing standards.

KCC Docket No. 06-GIMT-187-GIT

CURB board member recovering from serious accident

On April 1, Randy Brown, member of CURB's Board, was seriously injured in a multi-motorcycle accident in Butler County.

Brown, who lives in Wichita, was riding north on Highway K177 to a gathering in Cassoday when a southbound motorcycle trying to pass another motorcycle collided with Brown. Brown suffered several broken bones and such grave injuries to his lower left leg that surgeons had to amputate it below the knee.

Brown's condition steadily improved after his surgery, and on April 9, he was transferred to Via Christi in Wichita to begin physical rehabilitation.

Our best wishes to Randy for a speedy return home.

CURBside
is brought to you by the Staff of CURB:

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Attorneys
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Steve Rarrick

Administrative Staff
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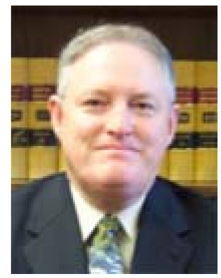

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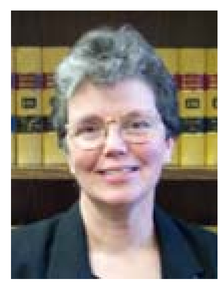

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Randy Brown – Member

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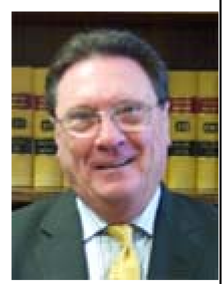

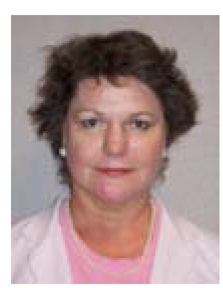

Carol Faucher – Member

Leawood

Westar plans new 345 kV line

In January, Westar Energy filed for siting approval from the KCC to build a 345 kV line to relieve transmission congestion in south central Kansas.

The plans for the first major transmission line to be built in years in Kansas call for the line to be constructed in two phases. In Phase One, the company will build a line from the Gordon Evans Energy Center near Colwich in northwest Sedgwick County, and travel through Harvey and Reno Counties to a new substation that will be built near Buhler.

Phase Two will run the line north through Reno, McPherson and Saline Counties to an existing substation near Assaria.

Original estimated costs for the project were $97.8 million, which includes construction of a new substation and upgrades to several others along the route. Phase One should be completed sometime in the first half of 2009, if approvals are granted. Phase Two is planned to be completed by the summer of 2010.

Westar has held five open houses in the areas that would be affected by the new line. The KCC also held a public meeting in McPherson on March 27 to hear comments on the proposal.

Over 100 comments in opposition to the proposal were registered with the Commission. As a result, on April 6, the Commission issued an order to Westar to file testimony in response to public objections to the proposed route. Westar was also asked to specifically address why certain portions of the line near Burrton were not routed within the right-of-way of an existing transmission line.

Additionally, CURB has learned that Westar has decided to present alternative routes to the Commission that reflect a consensus among numerous landowners along the route who have proposed changes. The changes reportedly will add roughly $7 million to the cost of the project.

CURB has looked closely at the site study prepared by Burns and McDonnell and other documents filed by Westar, and believes the company has made a good case for building the line. A major transmission constraint in the area will be relieved by its construction, which will give the company more options in purchasing, selling and transporting power. Many of the communities in the area expressed their approval of the project because it will improve accessibility to power for municipal utilities and rural cooperatives.

Understandably, residents of the areas through which the new lines will pass have concerns and objections, but Westar has made efforts to address these concerns where it has been appropriate to do so.

CURB's primary interest in these proceedings will arise when the company comes in to ask for recovery of the costs. We'll be looking at whether the project comes in on budget, and how Westar plans to ask consumers to foot the bill. We expect Westar to request recovery in its 2008 rate case for its expenditures to date.

KCC Docket No. O7-WSEE-715-MIS

Legislative wrap-up

The 2007 Kansas Legislature passed numerous bills this session that addressed energy and utility issues, from discouraging copper wire thefts from utilities to creating incentives to sequester carbon dioxide. Here's the rundown on which bills passed, which bills died, and which are still alive and could be enacted before the rap of the gavel marks the end of the session.

Heading to, or already signed by the governor:

HB 2032: removes KCC rate regulation of municipal utility customers that are outside of the three-mile radius around the municipality; includes procedural safeguards that allow customers affected by the bill to seek KCC review if rates are changed unreasonably.

HB 2033: makes the cost of constructing power plants (Construction Work in Progress or CWIP) that are not yet operational an allowable cost in consumer rates during a rate case. Current statute gives the KCC discretion ("may") to include costs of unfinished power plants in consumer rates. HB 2033 dictates that KCC "shall" include such costs. Statute also amended to make costs from all renewable energy facilities available for CWIP treatment; excludes CWIP treatment for the cost of nuclear generation facilities.

HB 2034: extends the sunset provision in K.S.A. 66-1233 to July 1, 2011. This statute allows secret rate increases for security expenditures. The law was due to expire this year.

HB 2035: establishes new law for scrap metal dealers, setting forth certain "regulated" scrap metals, procedures for documenting sellers of regulated scrap metal; sets forth criminal penalties for violation. Law is intended to discourage and penalize thefts of metal from work sites, such as utility substations, and selling the scrap to scrap dealers, thefts which have skyrocketed with the rising prices of copper and other metals.

HB2036: adopts IECC 2006 as the applicable energy-efficiency standard for commercial and industrial buildings; requires disclosure of energy-efficiency information for new residential structures and certain multi-unit structures; updates disclosure form.

HB 2038: provides property tax exemptions for new nuclear generation facilities, and removes KCC siting authority over a new nuclear plant, or additions to an existing nuclear plant, if constructed within three miles of an existing nuclear facility. (Wolf Creek is the sole nuclear plant in Kansas.) Also provides tax incentives for storage and blending of biofuels, new renewable electric cogeneration facilities and waste heat utilization systems; amends existing tax incentives for alcohol fuels.

HB 2169: adds Federal agencies to the list of governmental entities that may access Kansas Development Finance Authority (KDFA) financing agreements for energy conservation and efficiency improvements. Also removes $5 million cap on energy conservation improvements for state facilities.

HB 2220: amends K.S.A. 66-1237 to clarify that the KCC can implement electric transmission surcharges to recover transmission costs at the time of a utility rate case; clarifies that non-final rates from the Federal Energy Regulatory Commission can be used as the basis of the transmission charges. (This law alters sections of the statute that were the basis of CURB's challenge to the surcharge in the recent Westar rate appeal.)

HB 2240: expands sales tax exemption for repair services to certain facilities damaged by natural or manmade disasters; essentially provides a sales tax break on expenses for services that utilities incur when rebuilding transmission and distribution lines after a storm.

Substitute for HB 2278: provides blanket exemption to utilities for liability and lawsuits related to offering and financing the installation of energy conservation measures and issuing loans tied to utility meters.

HB 2419: creates Carbon Dioxide Reduction Act, providing tax incentives for sequestration of carbon dioxide in underground storage caverns; KCC will regulate injection and maintenance of underground carbon storage areas.

HB 2485: allows KCC to issue rules and regulation to charge up to a $300 application fee for intent-to-drill well applications; makes changes in the Kansas Petroleum Education and Marketing Act.

HB 2526: requires Secretary for Health and Environment to establish a statewide network to measure mercury deposition in the state. Intent is to measure and evaluate mercury contaminants (presumably from coal-fired power plants) carried throughout the state on wind currents.

SB 325: allows the KCC, upon complaint, to investigate issues related to access, service or abandonment of exit taps on natural gas gathering systems. The KCC may require that an exit tap be provided, and may determine whether rates are reasonable and nondiscriminatory when compared to rates for similar service on the same gas system.

SB 326: requires the KCC to prepare an emergency management plan detailing energy allocation and curtailment of energy consumption for natural gas and electricity for use in a

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Legislative wrap-up

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Governor-declared disaster or emergency, when the supply of natural gas and electricity is inadequate.

Bills still alive in committee & eligible for passage in this session:

HB 2127: original bill dealt with parallel generation: it was gutted and replaced by the text of Senate Bill 20, which amends the Kansas Underground Utility Damage Prevention Act to include operators of potable water and sanitary sewage systems as part of the "one call before you dig" program; intended to make it easier to locate and mark water lines before excavations.

HB 2145: original bill dealt with allowing petroleum inspection fee funds to be used for inspecting meters on vehicle tanks, and allowed the Secretary of Agriculture to reduce fee as appropriate. The original version of HB 2127 was amended into this bill. It now increases the total megawatts a participating commercial parallel generator can place on the grid, but lowers the payment the generator can receive under this law; also includes amendment authorizing and funding a pilot program for wind-generation education to be developed at Cloud County Community College.

Bills of interest that did not pass this session:

HB 2037: provided tax credits and deductions for energy conservation and efficiency upgrades of multi-unit rental properties.

HB 2219: would have imposed a statewide two-year moratorium on building coal-fired power plants.

HB 2479: would have created renewable portfolio standards for generators of electricity.

HB 2576: would have conferred jurisdiction on the KCC over the electric rates of the Kansas City Board of Public Utilities.

HB 2492: would have established siting rules for wind generation facilities; county control.

SB 49: would have made VOIP telephone providers subject to Kansas Universal Service Fund requirements.

SB 128: would have implemented the Kansas Energy Council's recommendation to create an energy conservation and education advisory board.

Additional information on bills can be found at the Kansas Legislature website: http://www.kslegislature.org/legsrv-legisportal/index.do .

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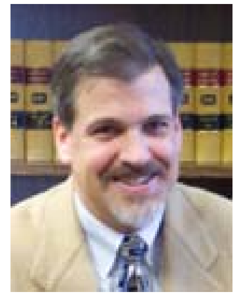
Consumer Counsel's



CORNER

A few observations from the legislative session:

What passed . . . mandatory inclusion in consumer rates of the construction costs of large power plants, long before they are online and providing power; tax breaks for new nuclear power plants, renewable cogeneration plants and fuel blending plants; removal of KCC-siting authority for a new nuclear plant within three miles of Wolf Creek; extension of the sunset on the law that allows secret rate increases for security costs; exemption for lawsuits against utilities related to energy conservation services provided under KCC tariff.

What didn't pass . . . a two-year moratorium on building coal-based power plants, renewable portfolio standards requiring electric utilities to supply a percentage of energy from renewable resources, tax breaks for hybrid cars, tax breaks for landlords to invest in energy efficient upgrades of buildings, and legislation recommended by the Kansas Energy Council that would have created an energy education advisory group.

In a session that began with the Governor setting a goal for our electric utilities of supplying 10 percent renewable energy by 2010, and 20 percent by 2020, relatively minor progress was made on renewable energy and energy efficiency. There were a few bills that made progress around the edges, so to speak. The legislature did update the building-code standard for commercial and industrial buildings, and updated the energy disclosure form required to be provided to buyers of new houses.

Westar did announce it is seeking bids on "up to 500" megawatts of wind power. KCPL brought its first 100 megawatts of wind online and is proposing to acquire more. KCPL and Midwest Energy are moving forward with some creative energy efficiency programs. Midwest Energy is the first utility in the state to propose making energy efficiency loans to upgrade housing and tying the loan payment to the meter rather than the person receiving the loan. If approved, it is hoped that the program will encourage better efficiency in the rental market. Kudos goes to Midwest for wanting to move this forward. Again—slow but steady progress.

The former Chairman of the Federal Reserve, Alan Greenspan coined the term "irrational exuberance" to explain when something more than economics seems to be driving a market. This term keeps coming to my mind as I listen to the political rhetoric surrounding the global warming debate. It's increasingly trendy to be green: everyone is doing it! I'm not dismissing the importance of the issue, or the necessity of making changes in our energy supply and energy usage over time. However, every proposed solution comes with your wallet attached, and there are many proposed solutions.

I think the struggle in the next few years will be to maintain a level of rational exuberance without letting the "I'm greener than you" political race move us into irrational territory.

—***Dave Springe***

Public hearing on preapproval of Westar's proposed Emporia plant Monday April 30 in Emporia

The Commission has scheduled a public hearing regarding Westar Energy's request for pre-approval of the ratemaking treatment in future rate proceedings for the costs of its proposed Emporia Energy Center, a 600MW generation plant to be built in Lyon County.

The public hearing will consist of two parts. The first part contains a question-and-answer period, which gives customers the opportunity to ask specific questions pertaining to the proposal.

The second part gives customers the opportunity to present their statements to the three-member Commission.

The Public Hearing is scheduled on:

Monday April 30
7:00 p.m.
Emporia State University
The Kanza Room
1200 Commercial Street
Emporia, KS 66801

The Commission will also accept written comments from customers through May 2. Written comments should reference Docket No. 07-WSEE-616-PRE and may be emailed to public.affairs@kcc.state.ks.us or mailed to the Kansas Corporation Commission, Office of Public Affairs and Consumer Protection, 1500 S.W. Arrowhead Road, Topeka, KS 66604. Customers may reach the KCC Office of Public Affairs and Consumer Protection by calling 1(800)662-0027; in Topeka, call 271-3140.

Midwest Energy proposes How$mart energy-efficiency pilot program

On January 29, 2007, Midwest Energy, Inc., filed tariffs seeking KCC approval of a pilot energy conservation program that is called How$mart.

How$mart is similar to what are known as Pay-As-You-Save (PAYS) programs, which are designed to assist and motivate ratepayers to buy cost-effective, energy-efficient products such as insulation, high-efficiency heating and air-conditioning units, and other products that promote energy conservation.

The cost of How$mart products will be repaid over time, much like customers repay traditional loans. However, unlike traditional loans, the obligation to repay the How-$mart obligation is tied to the meter, rather than to the homeowner or tenant. As a result, when an owner sells the home or a tenant moves out, the PAYS obligation passes to the next owner or tenant—if required notice is made and consent is obtained.

This sort of payment arrangement can help more tenants gain access to higher-efficiency homes, because landlords are often reluctant to spend money on efficiency improvements because they don't have to pay the high utility bills in their inefficient rental properties, and tenants, buy a new furnace in a rental unit that they may live in only a

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How$mart pilot program

(Continued from P. 9)

short time. Tying the obligation to repay the loan to the current utility customer means that the customer who is enjoying the energy savings provided by the How$mart loan also contributes to the cost.

CURB supports the concept of PAYS programs and appreciates the efforts of Midwest Energy to implement a one. But we have two major concerns with the proposal.

First, Midwest is asking the KCC for authority to shut off gas or electric service for nonpayment of the How$mart obligation—a major departure from longstanding KCC policy, which only allows utilities to shut off utility service for nonpayment of traditional utility service, *i.e.*, the portion of the bill for gas or electric service. They are not allowed to disconnect service to customers who have fallen behind on payments for such non-traditional utility services as appliance repairs, home security services or energy audits under current KCC policy.

Financing the purchase of energy-efficient products is not a traditional utility service. Utilities should not be allowed to deny essential gas or electric service to ratepayers who have paid for the gas and electricity they have consumed. CURB cannot support this proposal.

Second, Midwest is asking the Commission to allow it to roll bad debts resulting from the How$mart program into customer rates.

CURB opposes this request. Ratepayers should only be required to pay for costs related to the cost of service: those who do not benefit from the equipment should not be required to guarantee the loan. Since the program has been proposed as a pilot program, CURB believes that it should be implemented without this provision. If bad debt becomes a major problem during the trial period, Midwest could ask the KCC to address the problem.

KCC Docket Nos. 07-MDWG-784-TAR and 07-MDWE-788-TAR

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