

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of a Working Docket to Consider                     )  
The Establishment of a Low-Income Customer                     )             File No. EW-2013-0045  
Class or Other Means to Help Make Electric Utility  
Service Affordable   )

**KANSAS CITY POWER & LIGHT COMPANY AND  
KCP&L GREATER MISSOURI OPERATIONS COMPANY'S  
RESPONSE TO COMMISSION ORDER**

Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company (collectively referred to as the "Company") hereby submit its response to the Commission's August 8, 2012 *Order Opening An Investigation Into the Establishment of a Low-Income Customer Class or Other Means to Help Make Electric Utility Service Affordable* in the above-captioned proceeding.

1. The Company's responses are found in Attachment A. The Company appreciates the opportunity to provide these responses to the Commission.
2. The Company also supports the comments filed by the Missouri Energy Development Association in this docket.

WHEREFORE, for the reasons stated herein, the Company respectfully requests that the Commission accept this response to Commission's questions.

Respectfully submitted,

*/s/ Roger W. Steiner*

Roger W. Steiner, MBN 39586  
Corporate Counsel  
Kansas City Power & Light Company  
1200 Main Street, 16<sup>th</sup> Floor  
Kansas City, MO 64105  
Telephone: (816) 556-2314  
Facsimile: (816) 556-2787  
email: [roger.steiner@kcpl.com](mailto:roger.steiner@kcpl.com)

COUNSEL FOR KANSAS CITY POWER & LIGHT  
COMPANY AND KCP&L GREATER MISSOURI  
OPERATIONS COMPANY

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, this 7<sup>th</sup> day of September, 2012 to all counsel of record in this case.

*/s/ Roger W. Steiner*

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Roger W. Steiner

**COMMENTS OF KANSAS CITY POWER & LIGHT COMPANY AND KCP&L  
GREATER MISSOURI OPERATIONS COMPANY**

On August 8, 2012, the Missouri Public Service Commission (“MPSC” or “Commission”) opened docket EW-2013-0045 seeking comments from a wide range of participants specifically asking for “ideas to reduce the financial burden on low-income customers while providing a fair and adequate return to the regulated utilities. The Commission wants stakeholders to specifically address the feasibility and advisability of establishing a low-income customer class based on the federal poverty level.”

Kansas City Power and Light Company (“KCP&L” or “Company”) and KCP&L Greater Missouri Operations Company (“GMO” or “Company”) appreciate the opportunity to provide these comments.

**Establishing a Low-Income Customer Class**

The Company, like the Commission, is concerned about the welfare of low-income customers. The electric Customers we serve and electric Customers across the nation are dealing with increasing utility rates at the same time they are dealing with the ramifications of the downturn in the economy. While the reasons for rising electric prices vary by utility, the plight of low-income customers is the same—affordability—how to make ends meet and cover all of the essentials of life. Housing, food, medical, transportation and of course utilities are all necessary to maintain quality of life.

The Commission asks stakeholders to specifically address the feasibility and advisability of establishing a low-income customer class based on the federal poverty level and include commentary on the following areas:

1. Practicality – including effect on costs and revenues
2. Proposed guidelines for class inclusion

3. Proposed verification procedures
4. Effect on the Company's bad debt expense
5. Knowledge of similar low-income rate classes established in other states
6. Legality
7. Appropriate rate or rate formula for a low-income rate class

The Company's comments offered here are based on the assumption that a "low-income customer class" would be an addition to the traditional suite of customer classes, i.e. Residential, Residential Space Heat, *Residential Low-Income*, Small General Service, etc. With that in mind, the Company offers the following opinions and commentary regarding the aforementioned seven areas:

1. Effect on Costs and Revenues. The assumption of a new low-income customer class brings certain long standing rate-making principles into question. In Missouri, rates and rate structures have traditionally been based on the utility's embedded cost to serve. Differentiating the cost to serve Residential low-income customers as compared to other Residential customers, given the information available to the Company, would be impossible today. The Company simply does not have the income-related information to distinguish one Residential customer from another. As such, the Company has no empirical information to compare the costs to serve a Residential low-income customer from other Residential customers. Given this lack of information, the Company cannot begin to analyze the effect of a low-income class on revenues and costs. Presuming such a class would only be created at the time of a utility's general rate case when all revenues and costs are considered, it is not unreasonable to expect the Company's overall revenue

requirement would be higher to cover increased administrative costs and lower rates that would accompany the establishment of a Residential low-income class.

2. Guidelines for Class Inclusion. To establish a Residential low-income customer class, a qualifying threshold could be based on some percentage of the federal poverty level.

However at this time, the Company simply is not equipped to carry out the necessary screening of customers to qualify or disqualify them for a low-income rate and monitor customers for continued qualification over time of service. Moreover, the Company does not believe it is best suited to make such judgments. KCP&L and GMO are required to administer tariffs in a non-discriminatory fashion. Knowing a customer's financial situation puts the Company in the precarious role of both judge and jury.

3. Proposed Verification Procedures. Beyond the legal issues and the issue of cost recovery, the Company believes it is important to keep sight of operational issues that will arise with the implementation of Residential low-income rates. Identifying and/or defining customers eligible for a low-income rate may be problematic for utilities.

Establishing criteria for eligibility and requiring a utility to screen customers further adds an administration burden that falls outside of a utility's traditional area of expertise.

4. Effect on the Company's bad debt expense. How bad debt might be impacted is unknown.

5. Knowledge of similar low-income rate classes established in other states. The Company is most familiar with Kansas, as it has a Kansas jurisdiction. Kansas has not established a low income customer class/rate. K.S.A. 66-101b indicates that unjust or unreasonably discriminatory or unduly preferential rates, tolls, charges and exactions are unlawful and void. Accordingly, existing Kansas law appears to preclude discriminatory and

preferential treatment of a class of customers based on their ability to pay for utility service.

On December 17, 2003, the State Corporation Commission of the State of Kansas (“KCC”) opened docket 04-GIMX-531-GIV captioned “In the Matter of the Generic Investigation to Consider a General Commission Policy with Regard to a Low Income Assistance Tariff by Utilities Providing Electric and Natural Gas Service in Kansas”. At the conclusion of this docket on August 31, 2005, in its *Order Accepting Staff’s Report and Recommendation and Closing Docket*, one of the conclusions found by the KCC was “The Commission finds that low-income assistance rates in the form of pure discounts are impermissibly discriminatory and unduly preferential, and that there is no basis to depart from the prior determinations of the Commission in this regard”.

Other than this first-hand knowledge of low-income rates in Kansas, the Company does not currently have information regarding the status of low-income rates in other states, and would be in favor of a study conducted within the context of this workshop case.

6. Legality. The Company directs the Commission to the comments filed by the Missouri Energy Development Association (“MEDA”) and supported by KCP&L and GMO, regarding the potential for legal challenges that may arise in creating a Residential low-income class of customers.
7. Appropriate rate or rate formula for a low-income rate class. Whether or not a low-income rate is voluntary or mandated by the Commission may also impact the validity of the rate. The Company currently has programs and rate schedule features, which address some of the concerns about low-income customers. At the present time and in the

absence of a specific proposal, the Company is open to exploring the general concept of establishing a Residential low-income customer class.

8. The Company is concerned with not only those customers that may meet the low-income threshold for assistance, but also about those customers that are just beyond the assistance offered to those considered low-income. Should a rate class specifically for low-income customers be established, it is logical that every other customer will be paying for a portion of the discount afforded to the low-income class. The effect of doing so will place a larger burden on customers who are just outside of the low income designation. There are programs in place (utility & state) to assist low-income customers. However, those customers who are just outside of the qualifications of these current programs may be dramatically burdened by having another increase to their bills. The question becomes: Are we really fixing anything or just causing another group of customers more pain while trying to find yet another program for those who already qualify for some assistance?

In general, the Company believes traditional rate-making based on the cost of service is the appropriate way to set rates. That said, the Company also recognizes there is a need for mechanisms and ways to provide assistance to our most vulnerable customers and suggests that while exploring low-income customer possibilities, the Commission also specifically consider the unique needs of low-income seniors. Struggling low-income seniors face the same challenges as other low-income customers, but in our opinion seem to be reluctant to seek help.

#### **Other Means By Which To Assist Low Income Residential Customers**

In recognition of the need for assistance, the Company currently has a set of customer assistance programs branded as Connections. They include:

- Dollar-Aide – a monthly customer donation/Company match program administered through the Mid-America Assistance Coalition (MAAC). In addition, the Company is partnering with MAAC to launch a text-to-donate option soon. This technology will allow customers to text their donation directly to MAAC.
- Economic Relief Program Pilot (ERPP) – provides a monthly credit of up to \$50 to individuals who meet the income requirement as well as good faith on their account arrearage and is administered through the Salvation Army. It has been in effect since September 1, 2009 and has been extended to the end of January 2013, pending the outcome of the current rate case.
- Family Relief Fund (FRF) – provides qualifying families up to a \$150 credit on their electric utility bills during August, September and October of 2012 and is administered through the Salvation Army.
- Reconnection Relief – provides residential customers who are disconnected or are in danger of being disconnected with flexible payment arrangements (in addition to the ones normally offered) from August 1 through October 31.

Lastly, Connections Resource Events are scheduled throughout the Company's service area to answer customer questions, setup payment arrangements and provide referrals to local resources for financial and community assistance programs.

In addition to the Connections programs, the Company offers:

- Weatherization Assistance Program—enables low-income families to permanently reduce their energy bills by making their homes more energy



efficient. Weatherization reduces dependency and liberates these funds for spending on more pressing family issues. On average, weatherization reduces energy bills by 31% and overall energy bills by \$358 per year at current prices. Typical services include: Installing insulation, caulking windows, and conducting repairs to heating and central cooling systems.

- Home Energy Analyzer—provides a home energy audit to identify where energy is leaking from the customer's home. It is online and free to all customers. It provides a tool for customers to reduce their electric bills by making their homes more energy efficient.

The Company thanks the Commission for the opportunity to offer these comments and looks forward to the opportunity to participate in this workshop with the other stakeholders.