

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Thomas E. Wright, Chairman
 Joseph F. Harkins
 Ward Loyd

In the Matter of the Application of Kansas City)
Power & Light Company for Approval of its)
2010 Energy Efficiency Rider for Program) Docket No. 10-KCPE-636-TAR
Costs Incurred January 1, 2009 Through)
December 31, 2009.

ORDER APPROVING ENERGY EFFICIENCY RIDER

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having examined its files and records, and being duly advised in the premises, the Commission makes the following findings and conclusions:

1. On August 5, 2005, in Docket No. 04-KCPE-1025-GIE, the Commission approved the Comprehensive Energy Plan proposed by Kansas City Power & Light Company (KCPL). The plan included various energy efficiency programs called demand side management programs (DSM).

2. On February 29, 2008, KCPL filed an application for approval of an Energy Efficiency Rider (EE Rider) in KCC Docket No. 08-KCPE-802-TAR (08-802 Docket). This EE Rider would allow KCPL to recover costs already incurred since the implementation of the DSM, energy efficiency, and affordability programs. The filing complied with a Stipulation and Agreement approved in KCPL's rate case in KCC Docket No. 07-KCPE-905-RTS (07-905 Docket). In an Order filed June 13, 2008, in the 08-802 Docket, the Commission granted the EE Rider finding that it was reasonable, was in the public interest and should be approved. In a

subsequent Order issued on September 29, 2008, the Commission approved a revision to the EE Rider that corrected omission of a KCPL lighting schedule.

3. On March 31, 2009, KCPL filed an application for approval of its 2009 Energy Efficiency Cost Recovery Rider (EER) in KCC Docket No. 09-KCPE-770-TAR. In an Order filed June 22, 2009, the Commission granted the EE Rider finding that it was reasonable, was in the public interest and should be approved subject to the condition that KCPL shall file its next EER on or before March 31, 2010, to include costs incurred for Commission-approved programs from January 1, 2009 through December 31, 2009 including a true-up calculation to true-up amounts collected in previous years versus the amounts intended to be collected in previous year's EER filings.

4. On March 31, 2010, KCPL filed its application in the present Docket No. 10-KCPE-636-TAR for approval of its 2010 EER. Citizens' Utility Ratepayer Board was permitted to intervene.

5. On May 19, 2010, Staff filed its Memorandum and Recommendation (Staff's memo).

6. On May 24, 2010, the Commission issued an Order establishing a procedural schedule, as follows: Staff's Report and Recommendation was due May 19, 2010; Comments by interveners were due June 1, 2010; and final response by KCPL was due June 7, 2010. The deadline for issuing a Commission order is June 21, 2010.

7. KCPL's application included unrecovered expenses for calendar year 2009, totaling \$9,114,011 and under recovered expenses from calendar year 2008 of \$98,653 for a total requested EER surcharge amount of \$9,212,664. The expense is to be collected under a revised

tariff sheet, entitled "Schedule EE," reflecting new EER rates for each class. If approved, the new EER will be in effect from July 1, 2010, to June 30, 2011. Staff's Memo, p. 2.

8. Staff described the audits it performed in reviewing the application. Regarding accounting issues, Staff reviewed work papers KCPL provided in support of its application, attached as Exhibit JTG-1. This included a breakdown of costs, including internal labor expense incurred by KCPL, for each Commission-approved program during the 2009 calendar year. Staff requested the general ledger/journal entry support for these costs and has confirmed that these costs were incurred by KCPL for these programs. Staff's Memo, p. 2.

9. Staff also reviewed KCPL's calculation of a true-up applicable to surcharge amounts collected pursuant to KCPL's 2008 EER from July 1, 2008, through June 30, 2009, attached as Exhibit JTG-2. This calculation resulted in an under-recovery of \$98,653, and Staff agreed with this calculation. Staff noted that according to work papers provided to Staff, KCPL appeared to be on track to under recover its 2009 EER amount by \$350,957, but that true-up calculation will be reflected in KCPL's 2011 EER filing when actual revenue collections can be used. Staff's Memo, p. 2.

10. Staff stated its concern about the inclusion of internal labor expenses in an EER and the possibility of over-recovery of these expenses over time and that these expenses should be recovered via base rates. Staff recommended the Commission limit the inclusion of internal labor expenses in energy efficiency cost recovery riders to employees whose sole job function is energy efficiency related activities, and whose salary, (or someone they replaced), was not included in base rates during the Utility's last base rate proceeding. Staff's Memo, pp. 3-4.

11. Regarding Staff's audit of rate design, Staff noted KCPL calculated EER rates in tariff sheet "Schedule EE" using the demand allocator and kWh consumption data from its Class

Cost of Service Study filed in Docket 10-KCPE-416-RTS. A rate was developed for each customer class, except off-peak and other lighting classes. Staff found the rates calculated to be accurate and recommended the Commission approve KCPL's EER as filed in its application. Staff's Memo, p. 4.

12. Staff recommended the Commission approve KCPL's revised EER amount of \$9,091,522 with the following conditions: KCPL shall file its next EER on or before March 31, 2011, to include costs incurred for Commission-approved programs from January 1, 2010, through December 31, 2010. In this filing KCPL shall include a true-up calculation to true-up amounts collected in 2009 versus the amounts intended to be collected in 2009. Also, KCPL shall file revised tariffs reflecting the rates and charges presented in Staff Exhibit SAC-3 prior to the revised EER becoming effective on July 1, 2010. Staff's Memo, p.4.

13. On May 26, 2010, CURB filed its Response to Notice of Filing of Staff memorandum and stated that CURB has no objection to the recommendations made by Staff. Further, CURB stated that it affirmatively supports Staff's position regarding the appropriateness of labor cost recovery in the EE Rider. CURB also stated that it has no objection to the Commission issuing an Order accepting the recommendations made by Staff and approving the EE Rider.

14. On June 7, 2010, KCPL filed comments responding to Staff's recommendations. KCPL agreed with Staff's recommendation and both conditions but noted that in the event that KCPL files and the Commission approves an alternate rider for recovery of KCP&L's demand side management program costs which replaces the current EE Rider and may or may not have the same filing schedule, then such alternate rider shall dictate the filing schedule. KCPL Response, p. 2-3.

15. Having reviewed KCPL's Application and Staff's audits of information provided by KCPL, the Commission finds and concludes that KCPL's Energy Efficiency Rider is reasonable and is in the public interest. The Commission approves KCPL's proposed EER subject to the condition set forth by Staff, as quoted above in paragraph 12.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

(A) Kansas City Power and Light Company's application for approval of its Energy Efficiency Rider is approved, subject to the condition recommended by Staff, as stated above in paragraph 12.

(B) The parties have fifteen days, plus three days if service of this Order is by mail, from the date of service of this Order in which to request rehearing on any matter decided herein. K.S.A. 66-118b, K.S.A. 2009 Supp. 77-529(a)(1).

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

BY THE COMMISSION IT IS SO ORDERED.

Wright, Chmn.; Harkins, Com.; Loyd, Com.

Dated: JUN 21 2010

ORDERED MAILED

JUN 22 2010

 **EXECUTIVE
DIRECTOR**

Susan K. Duffy
Executive Director

PTS:rob