

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

STATE CORPORATION COMMISSION

JUN 18 2009

In the Matter of the Application of )  
Kansas City Power & Light Company )  
for Approval of a Low Income )  
Weatherization Variance and For )  
Approval of Related Modifications to its )  
Low Income Weatherization Tariff. )

Docket No. 09-KCPE-828-TAR

 Docket Room

**NOTICE OF FILING OF STAFF MEMORANDUM**

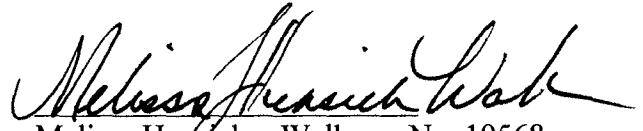
COMES NOW the Commission staff (“Staff”) of the State Corporation Commission of the State of Kansas (“Commission”) and files its memorandum recommending approval of Kansas City Power & Light Company’s (“KCPL”) request to edit its existing Schedule 6, Low Income Weatherization tariff.

1. On April 23, 2009, KCPL filed an application with the Commission to approve a variance to its Low Income Weatherization Tariff and modification of certain tariff language. The new tariff proposal allows reallocation of the existing Low Income Weatherization program budget to accommodate an expected infusion of additional funding from the American Recovery and Reinvestment Act of 2009 (ARRA).

2. Staff has thoroughly reviewed and investigated KCPL’s application and hereby files a memorandum prepared by Janet Buchanan dated June 16, 2009, recommending approval of KCPL’s application.

WHEREFORE, Staff recommends Kansas City Power & Light Company’s request to edit its existing Schedule 6, Low Income Weatherization tariff, reallocating the existing Low Income Weatherization program budget to accommodate an expected infusion of additional funding from the American Recovery and Reinvestment Act of 2009 (ARRA).

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Melissa Hunsicker Walburn". The signature is fluid and cursive, written over a horizontal line.

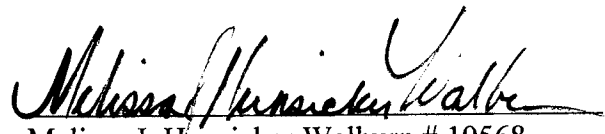
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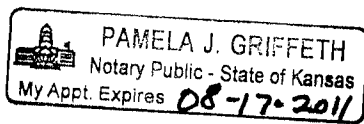
STATE OF KANSAS            )  
  ) ss.  
COUNTY OF SHAWNEE    )

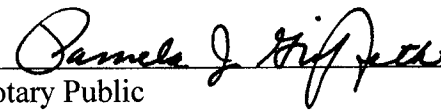
**VERIFICATION**

Melissa J. Hunsicker Walburn, being duly sworn upon her oath deposes and states that she is Litigation Counsel for the State Corporation Commission of the State of Kansas, that she has read and is familiar with the foregoing Notice of Filing of Staff Memorandum and that the statements contained therein are true and correct to the best of her knowledge, information and belief.

  
Melissa J. Hunsicker Walburn # 19568  
Litigation Counsel  
The State Corporation Commission  
of the State of Kansas

Subscribed and sworn to before me this 18<sup>th</sup> day of June, 2009.



  
Notary Public

My Appointment Expires: August 17, 2011

MEMORANDUM

To: Thomas E. Wright, Chairman  
Michael C. Moffet, Commissioner  
Joseph F. Harkins, Commissioner

From: Janet Buchanan

Date: June 16, 2009

Re: In the Matter of the Application of Kansas City Power & Light Company for Approval of a Low Income Weatherization Variance and for Approval of Related Modifications to its Low Income Weatherization Tariff. Docket No. 09-KCPE-828-TAR

Date Sent to Legal JUN 16 2009

Date Sent to Commissioners 06/18/09

**Executive Summary**

In the instant Application, Kansas City Power & Light Company (KCPL) seeks Commission approval of minor edits to its existing Schedule 6, Low Income Weatherization tariff, which initially became effective on December 5, 2007.<sup>1</sup> Additionally, the revised Low Income Weatherization tariff references a new proposed tariff, Schedule 6.1, Low Income Weatherization – Variance tariff.<sup>2</sup> The new tariff proposal allows reallocation of the existing Low Income Weatherization program budget to accommodate an expected infusion of additional funding from the American Recovery and Reinvestment Act of 2009 (ARRA).

KCPL and Staff agree that a variance is appropriate given that a departure from the Low Income Weatherization Program approved in Docket No. 06-KCPE-497-TAR and the budget allocated to that program will be necessary in response to funding from the ARRA. The existing Low Income Weatherization tariff allows program modification subject to Commission approval. KCPL proposes that rather than using program funds for weatherization projects that it reallocate

<sup>1</sup> Application of Kansas City Power & Light Company For Approval of a Variance to its Low Income Weatherization Tariff, Docket No. 09-KCPE-828-TAR, April 23, 2009, Exhibits D and E. (Application)

<sup>2</sup> Application, Exhibit A.

most of the budget to provide for equipment, workforce, training, administration, space requirements of social service agencies providing weatherization and to provide weatherization program outreach to eligible customers. All of these items will be necessary for social service agencies to utilize the additional funding from the ARRA in an orderly, efficient manner and achieve the maximum benefit from available funding.

Staff recommends approval of the revisions to KCPL's Low Income Weatherization tariff and approval of its Low Income Weatherization – Variance tariff. In the alternative, Staff suggests that the Commission approve the minor revisions to KCPL's Low Income Weatherization tariff and require the company to hold the budget in reserve for use when the ARRA funding is depleted.

## **Background**

On April 23, 2009, KCPL filed an application with the Commission seeking approval of a variance to its Low Income Weatherization Tariff and modification of certain tariff language. The Citizens' Utility Ratepayer Board filed a Petition to Intervene on April 28, 2009 and the Commission granted the petition on May 11, 2009. On May 21, 2009, KCPL filed an amendment to its application adding two changes that had been unintentionally omitted from the April 23, 2009 filing.

The Low Income Weatherization Tariff was initially offered for Commission review in Docket No. 06-KCPE-497-TAR. It was proposed by KCPL, in part, to fulfill the Stipulation and Agreement approved in Docket No. 04-KCPE-1025-GIE. In that docket, KCPL agreed to submit several demand response and energy efficiency programs for Commission approval. The Low Income Weatherization program assists low income residential customers of KCPL with completing weatherization of a residence. In the past, limited assistance has been available for the federally funded Weatherization Assistance Program (WAP). KCPL offered this program to supplement the efforts of Kansas-based social service agencies already engaged in offering weatherization assistance. KCPL provided funding to complete additional weatherization projects for customers in its Kansas service area. The five-year program budget proposed by KCPL for this program was \$493,920. Any funds not utilized in a year would be carried forward for use in the succeeding year(s). At that time, KCPL estimated that 10% to 20% of the budget would be utilized for administrative expenses with the remaining funds to be used for weatherization projects. The Commission approved the program with an order issued December 9, 2005.

The ARRA is providing additional funding for WAP and has adjusted some of the program parameters. Kansas will receive approximately \$56 million in additional funding (beyond the nearly \$5 million already allocated for 2009<sup>3</sup>) to be utilized over the next three years.<sup>4</sup> By comparison, the WAP budget for Kansas in 2008 was \$2.5 million.<sup>5</sup> The ARRA has modified the income requirements to participate in WAP from 150% of the poverty level to 200%.<sup>6</sup> The

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<sup>3</sup> <http://www.waptac.org/sp.asp?id=1934>

<sup>4</sup> [http://apps1.eere.energy.gov/weatherization/pdfs/wx\\_recovery\\_fact\\_sheet.pdf](http://apps1.eere.energy.gov/weatherization/pdfs/wx_recovery_fact_sheet.pdf) (*DOE Fact Sheet*)

<sup>5</sup> <http://www.waptac.org/sp.asp?id=1934>

<sup>6</sup> *DOE Fact Sheet*

level of assistance that can be provided per dwelling has been increased from \$2,500 to \$6,500.<sup>7</sup> The Energy Secretary is permitted to encourage states to give priority to the use of funds for the most cost-effective activities, such as insulation of attics, if the Secretary believes this will increase the effectiveness of the program.<sup>8</sup> The ARRA increases the amount of funding that can be spent on training and technical assistance from 10% to up to 20%.<sup>9</sup> Additionally, assistance for homes previously weatherized is available to residences for which weatherization improvements occurred before September 30, 1994 rather than September 30, 1979.<sup>10</sup>

The Department of Energy has promulgated rules that limit the allowable expenditures for which federal funding can be used within the WAP. The expenditure for “labor, weatherization materials, and related matters . . . shall not exceed an average of \$2,500 per dwelling unit weatherized in the State...” Additionally, “[n]ot more than 10 percent of any grant made to a State may be used by the grantee and subgrantees for administrative purposes in carrying out the duties under this part, except that not more than 5 percent can be used by the State for such purposes and not less than 5 percent must be made available to subgrantees by States.” As noted above, the ARRA amended the average expenditure per dwelling unit to \$6,500. While it has been acknowledged that preparing for and administering the significantly expanded WAP, the ARRA did not make any changes to the amount of funding that could be utilized for administrative expense. The National Association for State Community Service Programs (NASCSPP) urged Congress to adjust this provision but was not successful.<sup>11</sup> Additionally, the NASCSPP noted that state budget shortfalls would lead to program management understaffing as well as an inability to meet the ramp-up necessary for the expanded program.<sup>12</sup>

### **Analysis**

Recognizing that significant increases in funding will be available for weatherization of Kansas residences, KCPL proposes the variance to the Low Income Weatherization Tariff to allow the program funds to be used for “equipment, workforce, training, administration, space needs and outreach to eligible customers.”<sup>13</sup> The variance would allow the social service agencies to “ramp-up” or prepare for the increased level of weatherization each agency will be able to complete with the ARRA funding. The new Low Income Weatherization – Variance tariff would be in effect until December 31, 2009.<sup>14</sup>

In response to a CURB data request, KCPL indicates it discussed the proposed variance with social service agencies in its service territory. KCPL met with Johnson County Human Services and Aging, East Central Kansas Economic Opportunity Corporation, and Southeast Kansas Community Action Program.<sup>15</sup> Each of these agencies is a Kansas subgrantee for WAP. KCPL also indicates that it discussed the proposal with the Kansas Housing Resource Corporation, the

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<sup>7</sup> *DOE Fact Sheet*

<sup>8</sup> *DOE Fact Sheet*

<sup>9</sup> *DOE Fact Sheet*

<sup>10</sup> *DOE Fact Sheet*

<sup>11</sup> [www.waptac.org/sp.asp?id=9398](http://www.waptac.org/sp.asp?id=9398) (*NASCSP Discussion Paper*)

<sup>12</sup> *NASCSP Discussion Paper*

<sup>13</sup> *Application*, page 2.

<sup>14</sup> *Application*, page 3.

<sup>15</sup> KCPL response to CURB Data Request Question No. 5.

Kansas grantee for WAP.<sup>16</sup> KCPL indicates that they discussed “Challenges to Ramp Up”, “Expected Ramp Up Needs/Expenditures”, “Current Balance in KCPL Funded WX Program” and “KCPL Proposal” with these agencies.<sup>17</sup> Recognizing that the additional WAP funding available through the ARRA will create some additional pressures on social service agencies with limited resources which have already been stretched to meet increased demand for services in the current economic climate, KCPL proposes to allow the funding devoted to the Low Income Weatherization tariff program to be redirected to help agencies prepare to provide increased WAP services. As indicated above, the national organization representing social service programs states that ramping up to meet the new level of weatherization will require agencies to begin acting prior to the release of federal funding. Even when such funding is made available, only a limited amount can be utilized for the additional administrative support that will be required to manage WAP. KCPL proposes that the variance would allow funding for<sup>18</sup>:

1. Equipment (Blower Door, Combustion Gas Detector, Carbon Monoxide/Combustion Gas Monitor, Infrared Camera, Vehicles/Trailers, Insulation Blowers, Hand Tools)
2. Increasing Workforce
3. Training Workforce (Basic Weatherization, Building Performance Institute Training, Whole House Protocol, Lead Safe)
4. Administration (Staff, Office Equipment, Office Furniture)
5. Space Needs (Office Space, Storage Space)
6. Outreach

KCPL indicates that it will review each payment request to determine whether it is an appropriate use of the funds dedicated to the Low Income Weatherization program. The social service agencies will be required to provide monthly reports accounting for funds received from KCPL, the categories for which such funds were expended, the number of KCPL territory residences weatherized, the total number of weatherization jobs completed, and the total number of weatherization jobs in progress. A report summarizing this data will be provided to Staff at the end of the variance period and will be subject to audit by Staff.<sup>19</sup>

The funds available for the Low Income Weatherization – Variance tariff total \$358,771.<sup>20</sup> This is comprised of the 2009 budget for the Low Income Weatherization tariff and the carry over of \$237,699 unused in prior program years.<sup>21</sup> KCPL also indicates that funding will also be made available for weatherization if necessary; yet given the increase in funding available through the ARRA, it seems unlikely that additional support will be required.

KCPL also proposes language changes to the Low Income Weatherization tariff to provide greater clarity and provide greater flexibility to reflect changes in the federal program. This language is also incorporated in the new Low Income Weatherization – Variance tariff. KCPL proposes to modify the term “Social Agency” to “Social Service Agency”.<sup>22</sup> While the original

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<sup>16</sup> KCPL response to CURB Data Request Question No. 7.

<sup>17</sup> KCPL response to CURB Data Request Question No. 7.

<sup>18</sup> KCPL response to CURB Data Request Question No. 10 and *Application*, Exhibit A.

<sup>19</sup> *Application*, Exhibit A.

<sup>20</sup> KCPL Response to CURB Data Request No. 8.

<sup>21</sup> KCPL Response to CURB Data Request No. 8.

<sup>22</sup> *Application*, Exhibit D.

tariff limited the expenditure per customer, KCPL makes clear that the *average expenditure per customer* should not be greater than the adjusted average expenditure limit determined by the Department of Energy.<sup>23</sup> Rather than including the specific income criteria currently adopted by the Department of Energy, KCPL proposes language that generally indicates that the income limits specified by the Department of Energy.<sup>24</sup>

### **Recommendation**

Given the increased funding for WAP available through the ARRA, Staff agrees that it is reasonable for KCPL to seek changes to put its Low Income Weatherization program dollars to their next best use. Providing funding for “ramp-up” activities appears to be a logical use of the funds and promotes the original intent of the program by enabling additional weatherization improvements to be made. However, one could also argue that the funding could simply be held in reserve for use when the ARRA dollars are no longer available for weatherization. Staff suggests that it appears use of the Low Income Weatherization program budget for “ramp-up” activities will assist in quickly maximizing the benefit of the additional WAP funding available for Kansans. With assistance from KCPL’s program, social service agencies will be better prepared to deliver services quickly and allow Kansas consumers to experience lower energy bills sooner than they may have otherwise. In the alternative, the Commission could find the wisest use of funds would be to hold them in reserve until WAP funding returns to its traditional levels.

Regardless of the Commission’s determination on the Low Income Weatherization – Variance tariff, Staff suggests the Commission adopt the language changes proposed by KCPL to clarify intent and create flexibility to adjust to changes in federal rules.

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<sup>23</sup> *Amendment to the Application of Kansas City Power & Light Company*, Docket No. 09-KCPE-828-TAR, May 21, 2009, page 2. (*Amendment*)

<sup>24</sup> *Amendment*, pages 2-3.



**CERTIFICATE OF SERVICE**

09-KCPE-828-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff Memorandum was placed in the United States mail, postage prepaid, or hand-delivered this 18th day of June, 2009, to the following:

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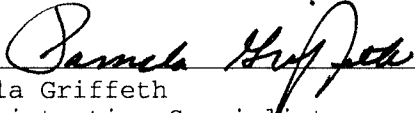
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