

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Westar Energy, Inc. and)
Kansas Gas and Electric Company Seeking) Docket No. 19-WSEE-013-TAR
Commission Approval for Tariff Revisions to)
the 2018 Energy Efficiency Rider.)

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION

The Staff of the Kansas Corporation Commission (Staff and Commission, respectively), having investigated the issues presented in this docket, hereby files its Report and Recommendation (R&R). Staff recommends that Commission approve Staff's revised Energy Efficiency Rider (EER) amount of \$4,987,852. This will result in an EER rate of \$0.000256/kWh, or approximately \$0.23 monthly. Staff's revised amount is a result of removing approximately \$10,800 in expense pertaining to postcards sent to WattSaver customers thanking them for being enrolled.

WHEREFORE, Staff submits its R&R dated September 14, 2018, attached hereto, for Commission consideration.

Respectfully Submitted,



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STATE OF KANSAS



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SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Dwight D. Keen

FROM: Kristina Luke Fry, Managing Auditor
Justin Grady, Chief of Accounting and Finance
Jeff McClanahan, Director of Utilities

DATE: September 14, 2018

SUBJECT: Docket No. 19-WSEE-013-TAR – In the Matter of Westar Energy, Inc. and Kansas Gas and Electric Company Seeking Commission Approval for Tariff Revisions to the 2018 Energy Efficiency Rider.

EXECUTIVE SUMMARY:

Staff recommends the Commission approve \$4,987,852 for Westar Energy, Inc. and Kansas Gas and Electric Company's (collectively referred to as "Westar" or "Company") annual Energy Efficiency Rider (EER) filing, which results in a rate of \$0.000256/kWh. If approved, Westar's EER factor would result in a monthly charge to residential customers of approximately \$0.23 which, compared to last year's monthly energy efficiency charge to residential customers, would be an increase of approximately \$0.02 per month or \$0.24 annually. Per the Suspension Order dated July 24, 2018, the Commission shall issue an Order in this Docket no later than March 11, 2019. However, consistent with the timeline for previous EER Dockets, Westar has requested Commission approval of this EER by October 30, 2018.

BACKGROUND:

On July 13, 2018, Westar filed an Application with the Commission requesting approval of its Energy Efficiency Rider. The EER is designed to recover costs associated with Commission-approved energy efficiency programs deferred over a twelve-month period ending in June of each year plus any true-up amount from the prior period. Westar requests that the proposed 2018 EER become effective with the first billing cycle of November 2018, which is October 30, 2018.

Westar's Application seeks recovery of costs incurred in relation to Commission-approved demand response and energy efficiency programs in the amount of \$4,998,688. This amount includes unrecovered expenses of \$4,999,871 incurred from the period of July 1, 2017, through June 30, 2018, and over-recovered costs of \$1,182 incurred from the prior period.

In Docket No. 08-WSEE-862-ACT (08-862 Docket), Westar sought to accumulate energy efficiency program costs in sub-account 182.3 – Other Regulatory Assets. The Commission's November 12, 2008, Order conditionally approved Westar's request subject to certain requirements.¹ Westar's specific programs, with the respective Dockets, include:

- WattSaver Air Conditioner Cycling Program, Docket No. 09-WSEE-636-TAR
- Energy Efficiency Demand Response Program, Docket No. 10-WSEE-141-TAR
- SimpleSavings Program Rider, Docket No. 10-WSEE-775-TAR²

Westar has received Commission approval to treat the deferral of costs associated with the individual energy efficiency filings listed above as a regulatory asset for future cost recovery. This filing is consistent with the Commission's policy directives established in the November 14, 2008, Order issued in Docket No. 08-GIMX-441-GIV (08-441 Docket).

ANALYSIS:

Staff performed an audit of Westar's EER Application and is recommending the Commission approve Staff's adjusted EER amount of \$4,987,852. Staff requested and received workpapers, supporting invoices, etc., in support of Westar's Application, as well as the general ledger/journal entry support for these costs. Staff has confirmed that these costs were effectively recorded by Westar for these programs from July 1, 2017, through June 30, 2018.

Staff reviewed the expenses of the programs provided in Westar's schedules and compared them with Staff's historical understanding of the purpose and scope of the programs. As a result of this review, Staff recommends the removal of one expenditure as discussed in more detail below.

In calculating the true-up, Westar utilized Staff's approach required from the 16-WSEE-021-TAR Docket.

In the 08-441 Docket, the Commission indicated that EERs should be implemented in a manner that "...maintains the Commission's responsibility to review costs for prudence."³ However, the Commission also stated that utilities should make formal tariff applications for program approval to allow the Commission the opportunity to review program applications in light of Commission policy directives.⁴ As all energy efficiency programs requested for cost recovery have been previously approved by the Commission, Staff limits its reviews of EERs to examinations of

¹ The Commission's Order in the 08-862 Docket established certain requirements including (a) the separate tracking of accumulated costs for each energy efficiency program, and (b) the filing of separate Applications with separate tariffs (rates or riders) as applicable for each program.

² Per paragraph 13 of the Commission's Order Approving Interim Budgets filed on April 26, 2016, in the 15-WSEE-532-MIS Docket, "Westar's SimpleSavings program shall be reinstituted until the existing loan obligations are fulfilled and that new participants shall not be accepted into the program."

³ See Paragraph 32 of the Final Order dated November 14, 2008, in the 08-441 Docket.

⁴ *Id.* Paragraph 34.

expenditures consistency - both in scope and amount - to that previously granted approval by the Commission.

The following table compares Westar's energy efficiency programs' actual annual incurred expenditures included in this filing to the program budgets:

Program	Expenditures July 2017 – June 2018	15-WSEE-532- MIS Updated Budgets
WattSaver	\$749,413	\$1,500,000
Education Programs	\$0	\$60,000
Energy Efficiency Demand Response Rider	\$4,238,896	\$3,840,000
Simple Savings Program Expenses	\$725	\$0
Total	\$4,989,034	\$5,400,000

Westar's EER expenditures appear to be reasonable as the total amount of expenditures does not exceed the total budget for all programs. It should be noted that while there is not a budgeted amount for the Simple Savings Program, Westar is allowed to recover administrative costs for the program per the 15-WSEE-532-MIS Order.⁵ It should also be noted that Westar's expenditures exceeded the amount budgeted for the Energy Efficiency Demand Response Rider. This rider is based on the energy Occidental uses and Westar has little control over the costs. Given the fact that the expenditures in total do not exceed the budget in total, Staff is not recommending an adjustment due to this budget variance.

Staff has examined the expenditures associated with Westar's energy efficiency programs and has found the proposed EER rate calculations to be accurate.

Part of Staff's review includes requesting all supporting detail for a random sample of costs incurred during the subject year. Westar's response provided Staff with invoices for postcards sent to current WattSaver customers. Westar has been sending WattSaver customers postcards twice a year since 2016. One postcard is sent before the pre-cycling to remind customers that they are enrolled in the program. The second postcard is post-cycling season to thank customers for being enrolled in the WatttSaver program. Staff agrees that reminding customers that they have signed up for the WattSaver program is important and needed. However, Staff contends that sending two postcards is unnecessary and inefficient. The cost to send out the post-cycling was approximately \$10,800 for the period included in this filing. Staff recommends Commission approve Staff's revised EER amount of \$4,987,852, which removes the costs of sending the post-cycling postcards.

RECOMMENDATION:

Staff recommends the Commission approve Staff's revised EER amount of \$4,987,852, with the condition that Westar shall file its next EER in July 2019 to include costs for Commission approved programs incurred from July 2018 through June 2019.

⁵ See footnote 3 above.

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

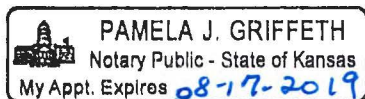
VERIFICATION

Michael Neeley, being duly sworn upon his oath deposes and states that he is Litigation Counsel for the State Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Notice of Filing of Staff's Report and Recommendation* and that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Michael Neeley # 25027
Kansas Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 14th day of September, 2018.



Notary Public

My Appointment Expires: August 17, 2019

CERTIFICATE OF SERVICE

19-WSEE-013-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served by electronic service on this 14th day of September, 2018, to the following:

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