

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

MAY 13 2014

In the Matter of the Application of Kansas City)
Power & Light Company for Approval of Its)
2014 Energy Efficiency Rider for Program)
Costs Incurred January 1 Through December)
31, 2013.)

Docket No. 14-KCPE-442-TAR
by
State Corporation Commission
of Kansas

NOTICE OF FILING OF STAFF REPORT & RECOMMENDATION

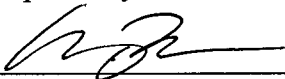
(PUBLIC VERSION)

The Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively) files the attached Report and Recommendation (R&R) and states as follows:

1. Staff hereby files the attached R&R analyzing Kansas City Power & Light Company's (KCP&L's) Application for approval of its 2014 Energy Efficiency Rider. Staff recommends the Commission approve KCP&L's Application with the condition KCP&L shall file its next energy efficiency rider on or before March 31, 2015.

WHEREFORE Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and proper.

Respectfully submitted,



Andrew French, #24680
Litigation Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604
Phone: (785)-271-3361
Fax: (785)-271-3167
Email: a.french@kcc.ks.gov
Attorney for Commission Staff

Utilities Division
1500 SW Arrowhead Road
Topeka, KS 66604-4027



Phone: 785-271-3220
Fax: 785-271-3357
<http://kcc.ks.gov/>

Shari Feist Albrecht, Chair
Jay Scott Emler, Commissioner
Pat Apple, Commissioner

Sam Brownback, Governor

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

FROM: Tim Rehagen, Auditor
Andria Finger, Senior Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: May 12, 2014

DATE SUBMITTED TO LEGAL: _____

DATE SUBMITTED TO COMMISSIONERS: _____

SUBJECT: Docket No. 14-KCPE-442-TAR: In the Matter of the Application of Kansas City Power & Light Company for Approval of Its 2014 Energy Efficiency Rider for Program Costs Incurred January 1 Through December 31, 2013.

EXECUTIVE SUMMARY:

Kansas City Power & Light (KCPL) seeks to recover \$827,410 through its Energy Efficiency Rider (EER), beginning July 1, 2014. This consists of \$796,688 of costs incurred during the calendar year 2013 for Commission-approved energy efficiency programs and \$30,722 to true-up under-collected EER revenues from the time period of July 1, 2012, through June 30, 2013. Assuming the average residential customer uses 1,107 kWh per month, KCPL's requested EER factor would increase their bill by \$0.18 per month or \$2.16 annually.

BACKGROUND:

On March 31, 2014, KCPL filed an Application for approval of its 2014 EER. KCPL requests a Commission Order by June 20, 2014, in order to facilitate a July 1, 2014, effective date for the EER.

KCPL's Application seeks recovery of incurred costs related to energy efficiency costs from the period January 1, 2013, through December 31, 2013. This filing was anticipated by the Stipulation and Agreement filed in Docket No. 07-KCPE-905-RTS and is consistent with the Commission's policy directives on cost recovery established in the Order on Docket No. 08-GIMX-441-GIV. The current filing is KCPL's seventh Application for an EER. Docket Nos.

08-KCPE-802-TAR, 09-KCPE-770-TAR, 11-KCPE-665-TAR, and 12-KCPL-729-TAR were approved in full by the Commission after Staff review. Docket No. 10-KCPE-636-TAR (10-636 Docket) was approved by the Commission after modification by Staff to remove internal labor expenses included in the surcharge calculation by KCPL. Docket No. 13-KCPE-584-TAR was approved by the Commission after modification by Staff to correct an error in the calculation of total 2012 costs related to energy efficiency programs.

KCPL's current Application includes unrecovered expenses for calendar year 2013 of \$796,688 and under-recovered expenses of \$30,722 for the period of July 2012 through June 2013, for a total requested EER surcharge amount of \$827,410. This expense is to be collected according to a revised tariff sheet entitled "Schedule EE", which reflects the new EER rates to each class resulting from the new charges. If approved, KCPL's new EER will be in effect from the period July 1, 2014, to June 30, 2015.

ANALYSIS:

Staff performed an audit of KCPL's EER Application, as discussed in the two sections below. Staff finds that the Commission should approve the EER amount of \$827,410 for KCPL. Staff's questions were submitted to KCPL and answered in a timely fashion.

ACCOUNTING

Staff requested and received work papers in support of KCPL's Application. Attached as Confidential Exhibit TSR-1 is a breakdown of the costs incurred by KCPL for each Commission-approved program during the 2013 calendar year. Staff requested the general ledger query support for these costs and confirmed that KCPL incurred the costs for these programs during the calendar year 2013. To ensure that the incurred expenses are actually related to energy efficiency programs, Staff selected a sample portion of expenses from the full list of incurred expenses in the general ledger query. For each expense in the sample, Staff requested supporting invoices and expense descriptions. Upon review of the supporting documentation provided, Staff has confirmed that each of the expenses is related to energy efficiency programs.

Exhibit TSR-2 presents KCPL's calculation of a true-up applicable to surcharge amounts collected pursuant to KCPL's 2012 EER during the period of July 1, 2012, through June 30, 2013. This calculation results in an under-recovery of \$30,722. Staff agrees with this calculation. Staff requested the Amortization of Regulatory Assets report that supports these collections, and the documentation provided supported the amounts claimed to be recovered.

Staff Exhibit TSR-3 presents the EER amount of \$827,410. This amount does not include any KCPL internal labor cost in accordance with Staff's recommendations in the 10-636 Docket.

RATE DESIGN

Historically, KCPL has calculated the EER rates presented on the tariff sheet "Schedule EE" by utilizing the demand allocator and kWh consumption data from the Class Cost of Service Study from the most recent rate case. In the present Docket, the EER rates were calculated by the Company utilizing the demand allocator and kWh consumption data from its Class Cost of Service Study filed in Docket No. 12-KCPE-764-RTS. As with all previous EER Dockets, an EER rate for the present Docket was developed for each customer class with the exception of the

off-peak and other lighting classes. Staff Exhibit TSR-4 provides the supporting calculations for the development of the rates resulting from KCPL's requested EER amount. Staff reviewed the rates and found them to be accurate.

RECOMMENDATION:

Staff recommends the Commission approve KCPL's EER amount of \$827,410 with the following condition:

1. KCPL shall file its next EER on or before March 31, 2015, to include costs incurred for Commission-approved programs from January 1, 2014, through December 31, 2014. In this filing, KCPL shall include a calculation to true-up amounts collected from July 1, 2013, through June 30, 2014, versus the amounts intended to be collected for that time period.

****CONFIDENTIAL****

Kansas City Power & Light Company
Kansas Energy Efficiency Program Cost Recovery (Account 182441)
July 1, 2012 through June 30, 2013

Exhibit TSR-2

Per 2012 EER Filing \$6,191,469.00

Recovered through EER:

July 2012	\$	(869,588.63)
August 2012	\$	(678,281.59)
September 2012	\$	(552,158.60)
October 2012	\$	(412,826.14)
November 2012	\$	(406,842.16)
December 2012	\$	(467,005.71)
January 2013	\$	(534,509.28)
February 2013	\$	(472,067.04)
March 2013	\$	(452,759.48)
April 2013	\$	(420,898.48)
May 2013	\$	(409,779.74)
June 2013	\$	(484,030.03)
	\$	<u>(6,160,746.88)</u>

Total left to be recovered \$ 30,722.12

Kansas City Power & Light Company
Kansas Energy Efficiency Program Costs (Account 182441)
January 1, 2013 through December 31, 2013

Exhibit TSR-3

<u>Cost Category</u>	<u>2013</u>
Company Labor	-
Company Non-Labor	\$ 679,077.89
Contractor Costs	<u>117,610.30</u>
Total	\$ 796,688.19

Annual True-Up (TRUE)

Undercollected/Overcollected per Actual 12-13	
EER Collection tab	\$ 30,722.12

Total 2013 DSM Cost to be Recovered	<u>\$ 827,410.31</u>
--	-----------------------------

**Kansas Energy Efficiency Rider Calculation and Impact Workpaper
March 31, 2014**

Exhibit TSR-4

Inputs	
Kansas 2013 DSM Expense	\$ 827,410.31

Demand Allocation of DSM Expenses and Calculation of Class EER Rate

	Residential	Small General	Medium General	Large General	Total
Demand Allocator (BIP Method) ¹	55.9841%	4.9645%	10.3750%	28.6764%	100.0000%
Allocated DSM Expense	\$ 463,218.00	\$ 41,076.55	\$ 85,844.03	\$ 237,271.74	\$ 827,410.31
Total kWh ²	2,828,426,200	320,069,749	732,662,853	2,234,498,160	6,115,656,962
EER Rate	\$ 0.00016	\$ 0.00013	\$ 0.00012	\$ 0.00011	

Typical Monthly Charge

	Residential	Small General	Medium General	Large General
Typical Usage (kWh) ³	1,107	1,250	15,026	168,260
Typical Monthly EER Charge ⁵	\$ 0.18	\$ 0.16	\$ 1.80	\$ 18.51

Typical Monthly Bill Impact

	Residential	Small General	Medium General	Large General
Typical Monthly Bill before ECA and EER ⁴	\$ 107.03	\$ 140.29	\$ 1,335.68	\$ 11,022.48
Typical Monthly EER Charge	\$ 0.18	\$ 0.16	\$ 1.80	\$ 18.51
% of Base Usage Charge ⁵	0.17%	0.12%	0.13%	0.17%

Notes:

- 1 Base-Intermediate-Peak Demand allocator utilized by KCP&L for its Class Cost of Service Study (Docket No. 12-KCPE-764-RTS), recalculated to remove lighting classes.
- 2 Class Base MWh - KCP&L Revenue Summary MFR Section 2 (12-KCPE-764-RTS) (Converted to kWh)
- 3 Average Monthly kWh Usage per Customer - KCP&L Revenue Summary MFR Section 2 (12-KCPE-764-RTS)
- 4 Total class revenue divided by number of customers divided by 12 - KCP&L Revenue Summary MFR Section 2 (12-KCPE-764-RTS)
- 5 The typical impact for customers formerly in the Large Power class are estimated to be \$396.72 per month or about 0.18% of their monthly base usage charge.