

**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. 16-WSEE-021-TAR
Commission Approval for Tariff Revisions to)
the 2015 Energy Efficiency Rider.)

NOTICE OF FILING OF STAFF REPORT & RECOMMENDATION

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 the Application of Westar Energy, Inc., and Kansas Gas and Electric Company (collectively, Westar) for approval of its annual Energy Efficiency Rider (EER). Staff recommends the Commission approve Westar's Application, as revised by Staff, resulting in an EER amount of \$4,700,962.

2. Staff further recommends the Commission condition approval on the following requirements: (1) Westar shall file for approval of its next EER in July of 2016, and (2) Westar shall utilize Staff's recommended methodology for calculating the annual true-up in future EER filings.

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,



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**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

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

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

DATE: September 11, 2015

SUBJECT: Docket No. 16-WSEE-021-TAR – In the Matter of Westar Energy, Inc. and Kansas Gas and Electric Company Seeking Commission Approval for Tariff Revisions to the 2015 Energy Efficiency Rider.

EXECUTIVE SUMMARY:

Staff recommends the Commission approve \$4,700,962 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 \$0.000235/kWh. If approved, Westar's EER factor would result in a monthly charge to residential customers of approximately \$0.21 which, compared to last year's monthly energy efficiency charge to residential customers, would be a decrease of approximately \$0.04 per month or \$0.48 annually. Per the Suspension Order dated July 23, 2015, the Commission shall issue an Order in this Docket no later than March 11, 2016. However, consistent with the timeline for previous EER Dockets, Westar has requested Commission approval of this EER by October 29, 2015.

BACKGROUND:

On July 14, 2015, Westar filed an Application with the Commission requesting approval of its Energy Efficiency Rider.¹ 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 2015 EER become effective with the first billing cycle of November 2015, which is October 29, 2015.

Westar's Application seeks recovery of costs incurred in relation to Commission-approved demand response and energy efficiency programs in the amount of \$4,558,828. This amount

¹ See tariff sheets entitled "Schedule EER" attached to the Application.

includes unrecovered expenses of \$4,700,093 incurred from the period of July 1, 2014, through June 30, 2015, and over-recovered costs of \$141,265 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.² Westar's specific programs, with the respective Dockets, include:

- Energy Efficiency Education Program, Docket No. 09-WSEE-986-ACT
- Building Operator Certification Program, Docket No. 09-WSEE-738-MIS³
- 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-TAR⁴

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), *In the Matter of a General Investigation Regarding Cost Recovery and Incentives for Energy Efficiency Programs*.

ANALYSIS:

Staff performed an audit of Westar's EER Application, as discussed below, and is recommending the Commission approve Staff's revised EER amount of \$4,700,962.⁵ 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, 2014, through June 30, 2015.

Additionally, 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 discovered an error in the true-up calculation. Westar's calculation of its annual EER is based on projected kilowatt hour usage for a future twelve-month period (November 2015 through October 2016 for the current Docket). These

² 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.

³ The Building Operator Certification Program expired in June 2014. As stated in paragraph 5 of Westar Energy, Inc.'s and Kansas Gas and Electric Company's Response to Commission Order Regarding Budgets for Energy Efficiency Programs (Docket No. 15-WSEE-021-TAR), Westar no longer recovers costs associated with this program through its EER. Therefore, all expenses related to this program that were incurred during the twelve-month period ending June 2015 are not included in the calculation of Westar's 2015 EER.

⁴ As stated in paragraphs 4 and 5 of Westar Energy, Inc.'s and Kansas Gas and Electric Company's Response to Commission Order Regarding Budgets for Energy Efficiency Programs (Docket No. 15-WSEE-021-TAR), the SimpleSavings Program expired on January 31, 2015. However, Westar has included \$552 of expenses associated with the program in its 2015 EER calculation.

⁵ See Staff Exhibit 1 for a calculation of the revised 2015 EER.

projections are based on historical per customer usage and projected customer counts.⁶ While Westar uses projected kilowatt hour usage to calculate the rates that the Company is authorized to collect from its customers, of course this will differ from the amount of revenue that is actually collected. Therefore, the true-up mechanism should be utilized to make up for the differences between the revenue Westar is permitted to collect and the revenue it effectively collects.

In calculating the true-up, Westar multiplied the actual monthly kilowatt hour usage by the current EER rate, replicating the amount of monthly revenue that should have been billed to customers. Westar then compared this to the amount of revenue recorded to its billing system with the difference described as the over/under-recovery for the month. This calculation does not actually achieve the desired true-up as it does not compare the monthly revenue that Westar was authorized to collect with the monthly revenue that was actually collected. Staff's revised true-up calculation corrects this and utilizes the appropriate methodology.

In the revised true-up calculation, Staff multiplied the projected monthly kilowatt hour usage by the current EER rate, resulting in the monthly revenue that Westar is authorized to collect. Staff compared this to the amount of monthly revenue actually collected with the difference being the over/under-recovery for the month.⁷

Staff presented this revision to Westar and Westar concurs with the changes. Westar subsequently submitted a revised calculation of its 2015 EER. The revised calculation incorporated the correct true-up amount which is an under-recovery of \$28,970. Additionally, Westar's updated 2015 EER included one other revision. In Docket No. 15-WSEE-021-TAR, CURB recommended the removal of \$27,964 of expenses from the 2014 EER calculation.⁸ However, the effect of this adjustment on the final 2014 EER was so immaterial that CURB recommended the Commission approve Westar's proposed EER in that Docket. Westar did agree to true-up this adjustment in the current Docket.⁹ However, the initial 2015 EER calculation did not include this adjustment. Therefore, Westar's amended 2015 EER calculation included this adjustment.

In addition to the revisions included in Westar's amended 2015 EER, Staff is recommending one other minor revision: The removal of \$137 of SimpleSavings program expenses that were incurred after the SimpleSavings program expired.¹⁰

Westar's original five-year budgets associated with its energy efficiency programs have expired.¹¹ In Docket No. 15-WSEE-021-TAR, the Commission issued an Order requiring

⁶ See Westar's response to Staff Data Request No. 2 as shown in Staff Exhibit 2.

⁷ See Staff Exhibit 3.

⁸ See Notice of Filing of CURB's Reply to Staff's Report and Recommendation in Docket No. 15-WSEE-021-TAR for a description of the expenses that CURB recommended be disallowed.

⁹ See paragraph 3 of Westar Energy, Inc. and Kansas Gas and Electric Company's Response to CURB's Reply to Staff's Report and Recommendation in Docket No. 15-WSEE-021-TAR, filed on October 7, 2014.

¹⁰ The \$137 consists of SimpleSavings expenses incurred from February 2015 through June 2015. See the Energy Efficiency and Demand Response Expenditures spreadsheet included in the Application for a monthly breakout of the program expenses.

Westar to file updated five-year budgets for each energy efficiency program.¹² In Docket No. 15-WSEE-532-MIS, currently pending before the Commission, Westar is seeking interim approval of proposed five-year budgets for its Energy Efficiency Demand Response program and WattSaver program, as well as approval of an updated five-year budget for its Energy Efficiency Education program. Westar did not propose an updated five-year budget for its SimpleSavings program.¹³ Staff contends that because this program has expired and because Westar has stated that it would be willing to exclude the few hundred dollars associated with the SimpleSavings program from its EER, all expenses related to the SimpleSavings program that were incurred subsequent to the program's expiration should be removed from the EER calculation.¹⁴ It should be noted that the amount of excluded SimpleSavings expenses is so immaterial that removing them from the EER calculation will not affect Westar's revised EER of \$0.000235/kWh.

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."¹⁵ 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.¹⁶ 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 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 both the original program budgets and the current proposed budgets:

¹¹ A five-year budget for the SimpleSavings programs was initially proposed before the Commission approved the program as a four-year pilot program in Docket No. 10-WSEE-775-TAR. Therefore, because the SimpleSavings program was effective for only four years, Staff is treating the associated program budget as a four-year budget that expired when the program expired.

¹² See Order on Operating Budgets and EM&V Studies issued on January 6, 2015.

¹³ Westar also did not propose an updated five-year budget for its Building Operator Certification Program. See page 2, paragraphs 4-5 of Westar Energy, Inc.'s and Kansas Gas and Electric Company's Response to Commission Order Regarding Budgets for Energy Efficiency Programs in Docket No. 15-WSEE-021-TAR for an explanation as to why Westar has not proposed updated budgets for these two programs.

¹⁴ See page 2, paragraph 5 of Westar Energy, Inc.'s and Kansas Gas and Electric Company's Response to Commission Order Regarding Budgets for Energy Efficiency Programs in Docket No. 15-WSEE-021-TAR for Westar's statement that it is willing to remove the SimpleSavings expenses from the EER.

¹⁵ See Paragraph 32 of the Final Order dated November 14, 2008, in the 08-441 Docket.

¹⁶ *Id.* Paragraph 34.

Program	Expenditures July 2014 – June 2015	Original Program Budgets	Proposed Updated Budgets
Energy Efficiency Education Program	0	125,000	60,000
WattSaver Air Conditioner Cycling Program	1,131,295	5,206,801	1,500,000
Energy Efficiency Demand Response Program	3,568,246	4,800,000	3,840,000
Total	4,700,093	10,323,319	5,400,000

Westar's EER expenditures appear to be reasonable as they exceed neither the original program budgets nor the proposed updated budgets. However, Westar does not currently have Commission-approved budgets for its Energy Efficiency programs. Once updated budgets are approved by the Commission, the formulaic nature of the EER rider and the presence of the true-up mechanism in the EER tariff will enable the Commission to make any necessary revisions to Westar's EER in the future to account for any rate adjustments necessary as a result of significant deviation from Commission-approved budgets.¹⁷

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

RECOMMENDATION:

Staff recommends the Commission approve Staff's revised EER amount of \$4,700,962, with the following conditions:

- Westar shall file its next EER in July 2016 to include costs for Commission-approved programs incurred from July 2015 through June 2016. In this filing, Westar shall include a true-up calculation to true-up amounts collected in the previous year versus the amounts intended to be collected in the previous year's EER filing.
- Westar shall utilize Staff's recommended methodology for calculating the annual true-up in future EER filings.

¹⁷ See paragraphs 181-182 of the Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification issued in Docket No. 08-GIMX-442-GIV for a description of the provision that allows Westar to adjust its program budgets by 10% without Commission approval.

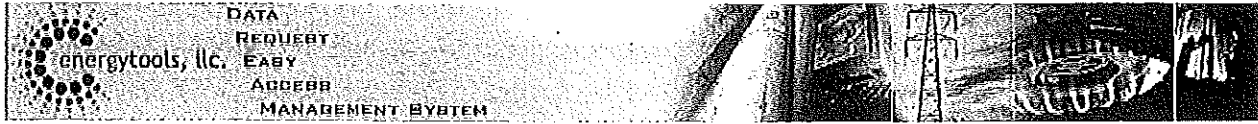
Westar Energy, Inc.
Energy Efficiency and Demand Response Expenditures
Applicable Energy Sales used for Development of Billing Rate
Staff's Revised 2015 EER

Billing Determinants for the period November 2015 through October 2016

Total Retail Energy Sales (kWh)	20,211,897,596
Less Lighting Energy Sales	<u>185,778,962</u>
Total Retail less Lighting Sales	<u><u>20,026,118,634</u></u>

Revised 2015 EER Calculation

Corrected (Over)/Under-Recovery	28,970
Disallowed Expenses from Docket No. 15-WSEE-021-TAR	(27,964)
Program Expenses	4,700,093
Staff's Removal of SimpleSavings Expenses	<u>(137)</u>
Total EER Amount	<u><u>4,700,962</u></u>
Charge per kWh	0.000235



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Tuesday, August 04, 2015
Logged In as: [Tim Rehagen] [Logout](#)

Docket: [16-WSEE-021-TAR] EER Calculation
Requestor: [KCC] [Tim Rehagen]
Data Request: KCC-002 :: Support for Total Retail Energy Sales
Date: 2015-08-03

Question 1 (Prepared by Scott Unekis)

Please provide support for the total retail energy sales (20,211,897,596 kWh) used in calculating the final charge per kWh (0.000228).

Response:

The total retail energy sales used to calculate the final charge per kWh in the Energy Efficiency Rider is the forecasted retail energy sales for November 2015 through October 2016. It is calculated internally by Westar and is based on historical per customer usage and projected customer counts.

Attachment File Name	Attachment Note
November 2015 - October 2016 Forecast Retail Energy.xlsx	

Staff's Revised True-Up Calculation

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Projected Net kWh	2,079,083,648	2,060,558,749	1,628,065,612	1,489,981,886	1,416,809,300	1,624,396,891	1,663,219,052	1,463,659,299	1,504,325,048	1,412,176,178	1,569,118,882	1,844,889,295
Rate	0.000538	0.000538	0.000538	0.000538	0.000280	0.000280	0.000280	0.000280	0.000280	0.000280	0.000280	0.000280
Estimated Recovery	1,118,547.00	1,108,580.61	875,899.30	801,610.25	396,706.60	454,831.13	465,701.33	409,824.60	421,211.01	395,409.33	439,353.29	516,569.00
Actual Recovery	1,019,664.90	1,015,819.36	1,032,132.40	790,101.96	548,337.82	462,252.57	471,246.58	416,352.97	412,886.74	367,793.97	381,864.62	456,819.67
Over/(Under)-Recovery	(98,882)	(92,761)	156,233	(11,508)	151,631	7,421	5,545	6,528	(8,324)	(27,615)	(57,489)	(59,749)

Over/(Under)-Recovery for July 2014 through June 2015 (28,970)

CERTIFICATE OF SERVICE

16-WSEE-021-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff Report and Recommendation was served by electronic service on this 15th day of September, 2015, to the following:

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