

Received  
on

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

MAY 14 2012

In the Matter of the Application of )  
The Kansas Power Pool ("KPP"), A )  
Municipal Energy Agency, for Approval )  
of Its Annual Transmission Revenue )  
Requirement (ATRR) for Its Transmission )  
Facilities )

Docket No. 12-KPPE-630-MIS

by  
State Corporation Commission  
of Kansas

**RESPONSE OF WESTAR ENERGY, INC.  
TO STAFF REPORT AND RECOMMENDATION**

COMES NOW Westar Energy, Inc. (Westar) and, pursuant to the procedural schedule established in this proceeding, files its Response to the Report and Recommendation (R&R) of the Staff of the State Corporation Commission of the State of Kansas (Staff). As and for its Response, Westar states:

This docket was created to address issues concerning the filing by the Southwest Power Pool, Inc. (SPP) at the Federal Energy Regulatory Commission (FERC) in Docket No. ER12-140 to implement Kansas Power Pool's (KPP) formula rate for transmission service and to incorporate the resulting Annual Transmission Revenue Requirement (ATRR) into the Zonal ATRR for Westar's zone. A portion of the costs associated with KPP's ATRR will be included in SPP's invoices to Westar and will therefore ultimately affect Westar's retail rates. As a result, Westar and its KCC-jurisdictional customers will be affected by KPP's rates.

Because of the potential effects of KPP's cost recovery on Westar and its customers, Westar intervened and protested in SPP's above referenced filing. A copy of Westar's motion to intervene and protest filed in FERC Docket No. ER12-140 is attached hereto and incorporated as Westar's statement of position in this proceeding. Westar recognizes that there have been some proposed changes by KPP since Westar filed its comments at FERC, however, Westar believes

that its concerns outlined in its protest in FERC Docket No. ER12-140 are still valid and need to be addressed.

Respectfully submitted,

WESTAR ENERGY, INC.

/s/ Patrick T. Smith

Patrick T. Smith, #18275

Corporate Counsel

Cathryn J. Dinges, #20848

Corporate Counsel

818 South Kansas Avenue

Topeka, Kansas 66612

(785) 575-8362; Telephone

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VERIFICATION

STATE OF KANSAS )  
 )  
COUNTY OF SHAWNEE )      ss:

Patrick T. Smith, being duly sworn upon his oath deposes and says that he is one of the attorneys for Westar Energy, Inc.; that he is familiar with the **Response of Westar Energy, Inc. to Staff Report and Recommendation** and that the statements therein are true and correct to the best of his knowledge and belief.

Patrick T. Smith  
Patrick T. Smith

SUBSCRIBED AND SWORN to before me this 14<sup>th</sup> day of May, 2012.



Sally Wilson  
Notary Public

My Appointment Expires:

6/19/2015

CERTIFICATE OF SERVICE

I hereby certify that on this 14<sup>th</sup> day of May, 2011, the original and eight copies of the **Response of Westar Energy, Inc. to Staff Report and Recommendation** were hand-delivered to:

Patti Peterson-Klein  
Executive Director  
KANSAS CORPORATION COMMISSION  
1500 SW Arrowhead Road  
Topeka, Kansas 66604

and that one copy was served by electronic mail to all parties of record in the docket.

/s/ Patrick T. Smith  
Patrick T. Smith

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Southwest Power Pool, Inc.

)

Docket No. ER12-140

**MOTION TO INTERVENE AND PROTEST OF  
WESTAR ENERGY, INC. AND KANSAS GAS AND ELECTRIC COMPANY**

Pursuant to Rules 211, 212, and 214 of Rules of Practice and Procedure of the Federal Energy Regulatory Commission (Commission), 18 C.F.R. §§ 385.211, 385.212, and 385.214 (2006), and the Commission's October 21, 2011 Combined Notice of Filings #1, Westar Energy Inc. and its affiliate Kansas Gas and Electric Company (collectively, "Westar") hereby move to intervene and submit its protest in the above-captioned proceeding. In support of its Motion and Protest, Westar states:

**I. INTRODUCTION**

The names, titles, and mailing addresses of the persons who should be served with communications concerning this Motion and all future matters in this proceeding are:

Martin J. Bregman  
Executive Director, Law  
Westar Energy, Inc.  
818 S. Kansas, P.O. Box 889  
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Thomas Stuchlik  
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Robert Oakes  
Director, Regulatory Services  
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[Robert.Oakes@westarenergy.com](mailto:Robert.Oakes@westarenergy.com)

Westar respectfully requests that all of the above be placed on the service list.

## **II. MOTION TO INTERVENE**

Westar is a vertically integrated electric utility, serving over 687,000 retail and over 75 wholesale customers in the State of Kansas. Westar is a transmission-owning member of the Southwest Power Pool (SPP) Regional Transmission Organization (RTO) and is an active market participant in the SPP-administered energy market.

On October 20, 2011, SPP filed proposed revisions to its Open Access Transmission Tariff (OATT) to implement Kansas Power Pool's (KPP) formula rate for transmission service and to incorporate the resulting Annual Transmission Revenue Requirement into the Zonal ATRR for Westar's zone. As a transmission customer of SPP, Westar will be directly affected by the proposed tariff revisions. Westar submits that its interests cannot be represented by any other party and that it has the right to intervene herein.

WHEREFORE, Westar respectfully requests that it be permitted to intervene in and be made a party to this proceeding, with all rights appropriate to that status.

## **III. PROTEST**

The tariff revisions proposed by SPP in the above-captioned docket are intended to incorporate KPP's formula rate into the SPP OATT and allow KPP to recover costs associated with providing transmission service across a 69 kV transmission line and associated substation facilities owned by a KPP-member city, the City of Winfield, Kansas. Winfield transferred

functional control of these transmission facilities to KPP. KPP has now become a Transmission Owner member in the SPP and transferred functional control of the facilities to SPP.

In order to determine the ATRR to be recovered through the SPP OATT, KPP has proposed to utilize a transmission formula rate that can be adjusted annually. This proposal would allow KPP to recover costs associated with the Winfield transmission line as well as any additional existing or new transmission facilities of which KPP transfers functional control to SPP in the future. There are several significant problems with KPP's proposed formula rate. KPP has not provided sufficient evidence to support its development of the initial costs to be included in the formula or the accuracy of the inputs into the calculations done by its consultants. Additionally, KPP has not demonstrated that future updates to the formula will result in just and reasonable rates or that customers will have an adequate opportunity to review the accuracy of the updates to ensure that they are correct.

As KPP's witness, Mr. Reising explains, "the City of Winfield does not maintain its books and records for its electric utility in accordance with the Commission's Uniform System of Accounts and the City's financial reports do not separate plant in service, accumulated depreciation, or operating expenses by function." Direct Testimony of Paul Reising, at p. 4. Thus, "data were not available to determine the exact costs attributable to the City's 69 kV transmission facilities." *Id.* As a result, KPP attempted to estimate the gross plant in service, accumulated depreciation, and net plant in service by computing the cost to reproduce the system at current costs and indexing those costs back to the original installation date using the Handy-Whitman Index. *Id.* at pp. 4-5. KPP utilized Westar's average transmission depreciation rate as a proxy for KPP's transmission assets and Westar's weighted cost of capital to determine the return component of KPP's ATRR. *Id.* at pp. 6 and 8. In order to develop the operating

expenses to be included in the ATRR, KPP used the ratio of Westar's transmission operating expenses to Westar's transmission gross plant in service as a proxy for the ratio for its facilities. *Id.* at p. 8.

Westar does not object conceptually to the method KPP used to estimate its costs and develop its ATRR. However, Westar does have concerns about the lack of support and detail provided regarding how certain portions of the estimate were developed. For example, when developing the estimate of the construction costs for the transmission facilities, KPP relied on an engineering firm to develop the estimate. However, the only information provided regarding the work done by that engineering firm was contained in Exhibit K-5 to Mr. Reising's testimony – a spreadsheet identifying the final cost estimates included in the ATRR calculation. The engineer that performed the study did not provide testimony and no information was provided regarding how the estimates were developed or whether or not those estimates are reasonable. Additionally, Westar has identified a number of apparent inaccuracies in the data provided and relied on by the engineer when developing construction costs for the transmission facilities. For example, KPP states that the tie line from the Tie Sub to Westar Interconnection B is 9 miles long; however, Westar's records indicate that this line is only 3 to 4 miles long. KPP also indicates that the transmission lines to be included in the SPP OATT were constructed in 1991; however, Westar's records indicate the lines were in existence in 1968. KPP's estimate of today's construction cost for these facilities was based on the lengths and service dates identified in the filing. If this information is incorrect, the resulting ATRR calculation would be inaccurate and unreasonable. KPP should be required to provide detailed support for the engineering calculations and evidence that the line lengths and service dates utilized by the engineer are accurate.

There are also several problems with the method in which KPP proposes to update its costs in the future. First, KPP indicates that the O&M expense component of its ATRR will be updated annually “to reflect the most recently updated ratios derived from the Westar ATRR formula rate submitted to SPP.” *Id.* at p. 11. Although KPP has explained why it needs to use a ratio to estimate its O&M expense for the first year the formula rate is effective – because sufficient records do not exist to determine its current costs – there is no reason whatsoever that KPP should not be required to begin maintaining its records in a manner that will allow the actual expenses incurred by KPP in operating and maintaining the transmission facilities to be recovered through the formula rate.

Second, Mr. Reising indicates that if KPP makes improvements to the transmission facilities included in the formula rate, he recommends that it “record the details of the cost of plant additions and retirements in accordance with the Uniform System of Accounts and the plant instructions embodied in the USofA.” *Id.* at p. 11. He also states that if KPP wishes to include additional transmission assets in the formula rate, he would “expect that KPP would maintain applicable books and records that would permit the use of actual investment data and operating expense data to populate a transmission revenue requirements template.” *Id.* at p. 12. Despite Mr. Reising’s recommendation that KPP and its member cities maintain their books and records in accordance with the Uniform System of Accounts for any new investments in the future, KPP does not make a commitment to follow the Commission’s accounting rules in the future. Again, while KPP has explained the need to utilize estimates in place of past data that is not available, the Commission should require KPP and its member cities to immediately begin maintaining its records in accordance with the Commission’s accounting rules for any project that might be included in the formula rate in the future.

Finally, the only discussion in the KPP filing regarding what opportunity customers will have to review the data and the formula calculations after the annual update is completed is found in a single-page document titled “Kansas Power Pool Protocols.” The entire description of the Protocols is as follows:

The annual transmission revenue requirement and rates calculated pursuant to the formula rate template shall be revised annually. The results of such annual calculations shall be posted in a publicly accessible location on the Transmission Provider’s website by May 15 of each calendar year. Written comments will be accepted until June 15 and the annual revenue requirement and rates shall become effective from August 1 of such year through July 31 of the following year. Supporting data for completion of the formula rate template will be available from KPP upon request.

The Protocols proposed by KPP do not provide customers with any opportunity to challenge the annual ATRR calculation or ensure that any necessary corrections are made to the calculation. The customers’ right to review the annual updates for accuracy and make necessary corrections is particularly important in the context of KPP’s formula rate. Unlike many other SPP Transmission Owners that utilize formula rates to calculate their ATRR, KPP does not file a FERC Form 1 and its member cities do not appear to have audited accounting records. The inputs to KPP’s formula rate come from the “Investment Analysis Worksheet” created by Mr. Reising which is completed with manual inputs from KPP. Without sufficient protocols in place, customers have no way to ensure the accuracy, adequacy, and sufficiency of the data and the resulting ATRR calculation. The Commission should require KPP to implement protocols similar to those contained in Westar’s and Prairie Wind Transmission, LLC’s formula rates, approved by the Commission in Docket Nos. ER05-925-000 and ER09-36-000, respectively. *See Westar Energy, Inc.* 117 FERC ¶ 61,172 (2006); *Prairie Wind Transmission, LLC*, 125 FERC ¶ 61,248 (2008).

#### IV. CONCLUSION

KPP has not provided adequate support for the tariff revisions proposed in the above-captioned docket. Although KPP has proposed what appears to be a reasonable method to determine the level of investment that should be included in its ATRR, it has provided no evidence to support the estimates of the new construction costs used to estimate the investment amount and has not demonstrated that the line lengths and ages utilized when developing construction costs are accurate. Additionally, in order to ensure that the costs recovered through KPP's formula rate in the future are just and reasonable, KPP and its member cities must be required to begin maintaining their books and records in accordance with the Commission's accounting rules for any transmission facility to be included in the formula rate. KPP should be required to utilize its actual O&M expense in the future. KPP must also be required to implement an appropriate set of protocols that provide customers a meaningful opportunity to review the inputs to and results of the annual update to the formula and the ability to require corrections to the inputs and results if necessary.

Respectfully submitted,

WESTAR ENERGY, INC.

/s/ Martin J. Bregman

Martin J. Bregman  
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Dated: November 9, 2011

**CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated this 9<sup>th</sup> day of November, 2011.

/s/ Martin J. Bregman



MARTIN J. BREGMAN  
Executive Director, Law

May 14, 2012

Patti Petersen-Klein  
Executive Director  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, Kansas 66604

Received  
on  
**MAY 14 2012**  
by  
State Corporation Commission  
of Kansas

Re: In the Matter of the Application of The Kansas Power Pool ("KPP"), A Municipal Energy Agency, for Approval of Its Annual Transmission Revenue Requirement (ATRR) for Its Transmission Facilities, Docket No. 12-KPPE-630-MIS


Dear Ms. Petersen-Klein:

Enclosed for filing please find the original and eight (8) copies of the **Response of Westar Energy, Inc. to Staff Report and Recommendation.**

Please file stamp one copy for my files.

Thank you for your assistance.

Sincerely,



Martin J. Bregman

Enclosure

cc: Service List (electronically)