

**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. 15-WSEE-021-TAR
Commission Approval for Tariff Revisions)
to the 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. Staff recommends the Commission approve Westar's Application, as filed, with the condition Westar shall file its next Energy Efficiency Rider on or before July 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,



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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
Katie Figgs, Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: September 16, 2014

SUBJECT: Docket No. 15-WSEE-021-TAR – *In the Matter of Westar Energy, Inc. and Kansas Gas and Electric Company Seeking Commission Approval for Tariff Revisions to the Energy Efficiency Rider.*

EXECUTIVE SUMMARY:

Staff recommends the Commission approve \$5,543,112 for Westar's annual Energy Efficiency Rider filing, which results in a recovery of costs of \$0.000280/kWh. If approved, Westar's EER factor would decrease an average residential customer bill by \$0.23 per month or \$2.76 annually.

BACKGROUND:

On July 14, 2014, Westar Energy, Inc. and Kansas Gas and Electric Company (collectively referred to as "Westar" or "Company") filed an Application with the Commission requesting approval of its Energy Efficiency Rider (EER).¹ The Energy Efficiency Rider is designed to recover costs associated with Commission-approved Energy Efficiency Programs deferred over a 12-month period ending in June of each year plus any true-up amount from the prior period. As a result of the revision of this Rider, Westar's Application incorporated a reference in all applicable tariffs impacted by this change. Westar requests that these tariffs become effective with the first billing cycle of November 2014, which is October 29, 2014. Accordingly, Staff submits this Report and Recommendation for the Commission's consideration.

Westar's Application seeks recovery of costs it incurred in relation to Commission-approved demand response and energy efficiency programs in the amount of \$5,543,112. This amount includes unrecovered expenses of \$5,543,385, incurred from the period July

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

1, 2013, through June 30, 2014, and over-recovered costs of \$273, incurred from the prior period.

In Docket No. 08-WSEE-862-ACT (08-862 Docket), Westar sought to accumulate energy efficiency program costs in a sub-account of 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-MIS
- 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-TAR

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. Staff recommends the Commission approve the EER amount of \$5,543,112 for Westar as requested by the Company.

Staff requested and received workpapers, supporting invoices, etc., in support of Westar's Application. Additionally, Staff requested the general ledger/journal entry support for these costs and has confirmed that these costs indeed were recorded by Westar for these programs from July 1, 2013, through June 30, 2014.

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 contends these expenses are reasonably included in the EER at this time.

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

² The Commission's Order in the 08-862 Docket set forth 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 See ¶ 32 of the Final Order dated November 14, 2008, in the 08-441 Docket.

applications in light of Commission policy directives.⁴ As all energy efficiency programs requested for cost recovery have been approved by the Commission previously, 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 presents Westar's energy efficiency programs' actual annual expenditures incurred included in this filing versus the programs proposed budgets:

Program	Expenditures July 2013 - June 2014	Program Budget
Energy Efficiency Education Program	66,207	125,000
Building Operator Certification Program	46,976	166,518
WattSaver Air Conditioner Cycling Program	1,571,276	5,206,801
Energy Efficiency Demand Response Program	3,857,757	4,800,000
SimpleSavings Program Rider	1,168	25,000
Total	5,543,385	10,323,319

Staff has examined all expenditures associated with Westar's energy efficiency programs and has found the calculations to be accurate and consistent with prior Commission Orders referenced above. Staff has also reviewed the proposed rate and found it to be accurately calculated. Staff therefore recommends Commission approval of the EER as filed by Westar.

RECOMMENDATION:

Staff recommends the Commission approve Westar's EER amount of \$5,543,112, with the following condition:

- Westar shall file its next EER in July 2015, to include costs incurred for Commission approved programs from the first billing cycle of November 2014 through the last billing cycle in October 2015. 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 filings.

⁴ *Id.* ¶ 34.

CERTIFICATE OF SERVICE

15-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 via electronic service this 18th day of September, 2014, to the following:

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