BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Petition of Westar Energy, Inc. and Kansas Gas and Electric Company (collectively "Westar") for Determination of the Ratemaking Principles and Treatment that Will Apply to the Recovery in Rates of the Cost to be Incurred by Westar for Certain Power Purchase Agreements under K.S.A. 2003 Supp. 66-1239	)	Docket No. 11-WSEE-377-PRE

**PETITION OF WESTAR ENERGY, INC.
AND KANSAS GAS AND ELECTRIC COMPANY
FOR DETERMINATION OF RATEMAKING PRINCIPLES AND TREATMENT**

COME NOW Westar Energy, Inc. (Westar North) and Kansas Gas and Electric Company (Westar South) (collectively referred to as "Westar") pursuant to K.S.A. 2003 Supp. 66-1239 and any other applicable statutes, rules and/or regulations, and file this Petition with the State Corporation Commission of the State of Kansas ("Commission" or "KCC") for a determination of the ratemaking principles and treatment that will apply to the recovery in rates of the costs to be incurred by Westar pursuant to power purchase agreements (PPAs) for the purchase of wind energy identified herein. In support of this Petition, Westar states:

I. INTRODUCTION

1. Westar North and Westar South are corporations duly incorporated under the laws of the State of Kansas engaged, among other things, in the business of electric public utilities, as defined by K.S.A. 66-104, in legally designated areas within the State of Kansas. Westar holds certificates of convenience and authority issued by this Commission authorizing it to engage in such utility business. Westar does business under the name "Westar Energy."

2. Westar provides electric service at retail throughout the state of Kansas to approximately 687,000 customers. Westar also provides wholesale service to 51 municipalities

and cooperatives which provide retail service to additional Kansas customers. Westar currently owns generation capacity or has long-term purchase agreements consisting of a combination of nuclear, wind, landfill gas, coal, oil and gas-fired generation with a rated capacity of nearly 7,100 MW. Peak demand on Westar's system is approximately 5,000 MW.

3. Demand for electricity in Kansas is expected to grow at approximately 1.9% per year with energy consumption growing at approximately the same rate. Stated differently, Westar's customers' demand for electricity grows by about 100 MW per year and energy consumption by more than 400,000 MWh per year. Westar is developing and implementing plans to enhance its energy efficiency and demand side management efforts through numerous programs. These programs are intended to slow the rate of growth in electricity demand and consumption.

4. In 2009, the Kansas legislature adopted the Renewable Energy Standard (RES) Act. For calendar years 2011 through 2015, the RES Act requires each affected utility to serve its loads with renewable energy resources with a name plate capacity equal to 10% of the utility's average retail peak demand for the three preceding years. The RES requirement grows to 15% for calendar years 2016 through 2019 and to 20% for calendar years 2020 and thereafter. Under the RES Act, each MW of renewable generation installed in Kansas after January 1, 2000 counts as 1.10 MW for purposes of compliance.

5. Even before enactment of the RES Act, Westar was in the process of adding renewable energy to its portfolio. As a result of those efforts, Westar has incorporated 301 MW of renewable energy into its portfolio. These resources consist of 295 MW of wind generation and 6 MW of generation powered by landfill gas. Because Westar installed all of this generation in Kansas after January 1, 2000, it counts for 331 MW (1.10 X 301 = 331) for purposes of

compliance with the RES Act. As a result, Westar, based on its most recent peak demand, needs to add approximately 160 MW of renewable generation to its fleet by July 1, 2011 (and growing to 200 MW by 2015 as its average peak demand grows), an additional increment of 260 MW by July 1, 2016, and another additional increment of 270 MW by July 1, 2020,[1] bringing Westar's total renewable generation to just over 1,000 MW by 2020.

6. In July 2010, Westar issued a request for proposals (RFP) by which it sought to acquire up to 200 MW of wind generation through PPAs. Westar is currently in the process of completing contract negotiations with the responses that best suit Westar's needs.[2] Because of the attractive pricing provided in the PPAs under consideration and the need to add more wind generation in the future to meet the requirements of Kansas law, Westar is proposing to enter into PPAs for 369 MW of wind generation.

7. Investors seeking to invest in a basic electric utility with moderate to low service area growth will gravitate toward utilities regulated under predictable, consistent and constructive terms. Westar, therefore, is seeking this determination of ratemaking principles and treatment to provide greater assurance that equity and fixed-income investors will earn a reasonable return.

8. The Commission's approval of Westar's request would signal Westar customers as to the rate implications of Westar making substantial commitments to meet their growing needs for electricity through the use of renewable energy resources. Commission approval

[1] These estimates are based on Westar's current peak demand forecast. The July 1 annual target date is based on the Commission's recently adopted regulations implementing the RES Act.

[2] Each of the PPAs involve the purchase of power in the amount of at least $5,000,000 annually and therefore qualify for predetermination under K.S.A. 66-1239. The amounts of wind generation to be added are stated as manufacturer's nameplate capacity numbers.

would also signal investors that their premise for investing in Westar as a basic electric utility has been confirmed.

9. Westar's requests are based on conventional, well-established ratemaking principles. K.S.A. 66-1239 explicitly permits such a determination of ratemaking principles and treatment. A utility seeking such a ruling from the Commission is required to provide in its petition for a determination: (a) a description of its conservation measures; (b) a description of its demand side management efforts; (c) its ten-year generation and load forecasts; and (d) a description of all power supply alternatives considered to meet its load requirements. In reviewing the utility's request, the Commission may consider if the public utility issued a request for proposal from a wide audience of participants willing and able to meet the needs identified under its generating supply plan, and if the plan selected by the public utility is reasonable, reliable and efficient.

10. When evaluating Westar's Application, the Commission's goal should be to establish a "just and reasonable" rate structure and to allow Westar to meet its obligations to provide sufficient and efficient electric service, in part through diversification of its generation portfolio. K.S.A. 66-101b.

11. Westar anticipates that all of the generation at issue in this Application will be completed and enter commercial operation in 2012. Westar intends to recover the costs associated with the purchase of wind energy under PPAs through its Retail Energy Cost Adjustment (RECA).

II. DESCRIPTION OF THE FACILITIES AND SELECTION PROCESS

12. Westar proposes to enter into PPAs for 369 MW of wind generation with two developers of sites in Kansas.

13. To begin the process of developing renewable generation, Westar issued an RFP in July 2010. In its RFP, Westar asked developers to submit proposals for Westar's purchase of renewable energy under a PPA from sites in Kansas located near transmission facilities owned by a member of the Southwest Power Pool. Westar required all proposed wind energy projects to comply with the Kansas Energy Council's Wind Energy Siting Handbook. Westar asked developers to provide wind data and energy forecasting information, as well as information regarding their experience and involvement with prior wind projects. Westar received 56 responses from 35 different developers. Most of the responses proposed wind generation projects. However, in addition to proposals to provide wind energy, Westar received one solar proposal, one hydrogen proposal, and two biomass proposals.

14. After receiving responses to the RFP, in order to allow Westar to evaluate the impact of transmission constraints affecting the projects separate from price, the projects were divided into three different categories and screened based on proposed price. The three categories were: (1) projects using Westar's Ironwood site; (2) other western Kansas wind sites; and (3) eastern Kansas renewable energy sites. By identifying the best projects in each of these three categories, Westar was able to avoid prematurely eliminating a site (particularly in eastern Kansas) based upon a higher energy price before further evaluating how transmission availability might impact the total delivered cost of energy to customers. This process narrowed the projects to 19. Westar evaluated the remaining projects based upon the following criteria: cost of energy, transmission availability, environmental impact, public/community acceptance, exceptions to our pro forma PPA, wind data quality, and wind turbine evaluation. That work reduced the number of projects under consideration to three developers representing five projects.

15. Westar invited the three remaining developers to Topeka for more detailed due diligence. Each session covered all aspects of the RFP and the developers' responses. Similar to the first phase of the review, Westar scored each project according to a series of attributes, with weights (in parentheses below) assigned to each of the attributes based on the team's input, including: public and environmental acceptance (5%), financial viability and credit risk (5%), cost (55%), transmission and interconnection (25%), turbine evaluation (5%), and qualifications of the developer as determined by the team during the due diligence session (5%). Each proposal was scored for each attribute on a 1 – 10 scale, with 10 being the best possible score.

16. As a result of this work, Westar decided to enter into negotiations for PPAs with all three developers on three of the five remaining projects representing 569 MW of wind generation in Kansas. Through initial contract negotiations, one of the projects was eliminated after acceptable contract terms could not be reached. Westar is currently in negotiations to finalize terms of the two remaining PPAs. The price for energy under the PPAs is less than $35 per MWH over the 20-year term of the agreements commencing when the projects are completed and placed in service. As was stated above, Westar anticipates the in-service date of the wind resources will be in the latter half of 2012.

III. WESTAR'S CONSERVATION MEASURES AND DEMAND SIDE MANAGEMENT EFFORTS

17. Westar formed its Energy Efficiency Department in 2007. Randy Degenhardt heads the department. Mr. Degenhardt is an employee with more than 30 years of experience with Westar, with extensive experience in customer service, energy efficiency, conservation and DSM. He has been instrumental in administrating Westar's long-standing demand management and response efforts and in advising customers about tariffs that encourage the wise use of electricity.

18. The Energy Efficiency Department has a staff of 13 employees. The three areas of emphasis within the department are consumer services, demand side management and trade and ally partnerships. To date, the Energy Efficiency Department has implemented the following programs:

- WattSaver (Docket No. 09-WSEE-636-TAR;
- Building Operator Certification (Docket No. 09-WSEE-738-MIS);
- Energy Efficiency Education (Docket No. 09-WSEE-986-ACT); and
- Energy Efficiency Demand Response (EE DR) Program (Docket No. 10-WSEE-141-TAR).

19. Under the auspices of the Energy Efficiency Department, Westar takes a multi-faceted approach to educating customers about energy efficiency. Program offerings include:

- Energy Efficiency for Education;
- Speaker's Bureau;
- Real Estate Professional Certification;
- Home Shows;
- Save A Watt, Save A Lot; and
- Multi-media education.

20. In addition, Westar's Simple Savings program is currently pending before the Commission in Docket No. 10-WSEE-775-TAR. Westar's Simple Savings Program is a meter-based program in partnership with the Efficiency Kansas revolving loan program. Efficiency Kansas, developed by the State Energy Office, is designed to:

- Produce cost-effective, firm energy savings,

- Address efficiency improvements in a comprehensive manner using sound building science principles,
- Implement the most cost-effective programs in a logical sequence to maximize the energy savings per dollar spent, and
- Target customers residing in structures most in need of efficiency improvements.

21. Westar is also in the process of implementing its SmartStar Lawrence program. SmartStar is a smart grid demonstration project in Lawrence, Kansas, that will include energy efficiency among the customer benefits. Westar also has programs that focus on educating trade allies such as heating and cooling contractors and home builders on the benefits of high-efficiency HVAC equipment and of more energy efficient building practices.

22. Westar has proposed and implemented tariffs designed to encourage the efficient use of energy. Westar accomplishes this primarily through the use of summer/winter pricing differences. The summer residential rate is higher than the winter rate thereby encouraging energy conservation during those months when demand for electricity is highest. The non-residential rate schedules have seasonally differentiated prices but also use demand ratchets to encourage off-peak usage and provide an incentive to avoid establishing high peak demands in the summer period. Pricing of the overall cost of energy designed to encourage the wise use of energy can be found throughout Westar's tariffs.

23. Westar has an active interruptible program with 83 customers participating. Westar administers this program through clauses in special contracts and three rate schedules approved by the Commission for large industrial customers. Westar called on its interruptible customers three days this summer during peak conditions. Peak reduction during the hours of interruption on those days ranged from 105 MW to 155 MW. These reductions are in addition to

the 95 MW available through the EE DR program discussed above. Another component of this long-standing demand response program is an option for Westar to call on cogeneration units of two industrial retail customers during peak periods.

24. Westar currently forecasts that by 2015 peak reductions from its energy efficiency and demand side management programs will exceed 100 MW.

25. Westar's Energy Efficiency Department and energy efficiency initiatives are discussed in detail in the testimony of James Ludwig.

IV. WESTAR'S TEN-YEAR GENERATION AND LOAD FORECAST

26. Westar's 10-year forecast indicates that it will not need to add additional generating capacity over the next 10-year planning horizon, either to meet its customers' needs or to comply with SPP's requirement for load-serving entities to carry a 12 percent capacity margin. Westar currently projects that its system peak responsibility will grow from the current level of 5,039 MW to approximately 5,565 MW by 2019. At the same time, however, Westar forecasts that its system capacity available to serve requirements customers will grow from its current level of 6,291 MW to 6,504 MW, largely as the result of the expiration of a number of currently effective capacity sales.

27. Wind generation does not provide dispatchable generation and therefore will not provide Westar with a significant amount of increased capacity. Instead, wind should be considered an energy resource that is available with no associated fuel costs in many hours of the year in lieu of fuel burning generation or purchased power from conventional sources. Because wind does not provide significant capacity, however, Westar's proposed commitment to wind generation PPAs will not have a substantial effect on its ability to meet peaking demand or on Westar's ten-year peak demand forecast.

28. The rate effects associated with adding the approximately 369 MW of wind generation are addressed in the testimony of Dick Rohlfs.

V. POWER SUPPLY ALTERNATIVES CONSIDERED

29. Westar sought bids from a wide variety of renewable power supply alternatives through its renewable RFP process. As discussed above, Westar received 56 responses from 35 different developers. Most of the responses proposed wind generation projects. However, in addition to proposals to provide wind energy, Westar received one solar, one hydrogen, and two biomass proposals.

VI. REQUEST FOR DETERMINATION OF RATEMAKING PRINCIPLES AND TREATMENT

30. Westar seeks the determination of the following ratemaking principles and treatment to be applied to its proposal to purchase 369 MW of wind generation under PPAs:

a. That Westar's proposal to enter into PPAs to purchase 369 MW of wind generation is prudent,

b. That the 369 MW of wind generation that Westar will acquire will be considered used and useful for the provision of service to Westar's customers,

c. That the two wind PPAs submitted be approved for recovery through Westar's RECA,

and for such other and further relief as may be appropriate.

Respectfully submitted,

WESTAR ENERGY, INC.
KANSAS GAS AND ELECTRIC COMPANY

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VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

Martin J. Bregman, being duly sworn upon his oath deposes and says that he is one of the attorneys for Westar Energy, Inc. and Kansas Gas and Electric Company; that he is familiar with the foregoing **Petition of Westar Energy, Inc. and Kansas Gas and Electric Company for Determination of Ratemaking Principles and Treatment**; and that the statements therein are true and correct to the best of his knowledge and belief.

Martin J. Bregman

SUBSCRIBED AND SWORN to before me this 10th day of November, 2010.

Sally Wilson
NOTARY PUBLIC–STATE OF KANSAS
MY APPT EXP: 6/19/2011

Sally Wilson
Notary Public

My Appointment Expires: 6/19/2011

Westar Energy®

MARTIN J. BREGMAN
Executive Director, Law

November 10, 2010

Susan K. Duffy
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604

STATE CORPORATION COMMISSION
NOV 10 2010

Re: In the Matter of the Petition of Westar Energy, Inc. and Kansas Gas and Electric Company (collectively "Westar") for Determination of the Ratemaking Principles and Treatment that Will Apply to the Recovery in Rates of the Cost to be Incurred by Westar for Certain Power Purchase Agreements under K.S.A. 2003 Supp. 66-1239

Dear Ms. Duffy:

Enclosed for filing with the Commission please find the original and eight (8) copies of the following:

Petition of Westar Energy, Inc. and Kansas Gas and Electric Company
Direct Testimony of Greg A. Greenwood
Direct Testimony of James Ludwig
Direct Testimony of Dick F. Rohlfs
Direct Testimony of Paul Dietz

Confidential Exhibits GAG-1 and GAG-2 are being filed under seal in a separate envelope marked accordingly.

Please file stamp one copy for my files.

Thank you for your assistance.

Sincerely,

Martin J. Bregman

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