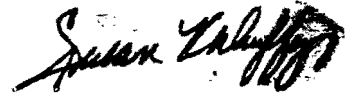


STATE CORPORATION COMMISSION

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

MAR 02 2011



In the Matter of the Application of Westar)
Energy, Inc. for Approval of an Accounting)
Authority Order to record and defer costs)
related to Westar Energy's SmartStar)
Lawrence Project.

Docket No.11-WSEE-____-ACT

APPLICATION

COMES NOW WESTAR ENERGY, INC. (Westar) and files this Application to defer certain expenses related to the development and deployment of a smart grid in Lawrence, Kansas. In support of its Application, Westar states:

Introduction

1. Westar is a corporation duly incorporated under the laws of the State of Kansas and is engaged, among other matters, in the retail electric public utility business, 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.

2. SmartStar Lawrence is Westar's first step into significantly changing the way Westar manages its electric distribution system and how customers manage their use of electric service and their interaction with Westar.

3. On August 4, 2009, Westar applied for a Smart Grid Investment Grant (SGIG) from the United States Department of Energy (DOE) under the American Recovery and Reinvestment Act of 2009 (ARRA). On October 27, 2009, Westar was selected for award negotiations for funding the awarded grant. Westar and DOE concluded their negotiations on

March 30, 2010, permitting Westar to move forward with the SmartStar Lawrence project to bring advanced smart grid technology to Kansas. The DOE grant provides approximately \$19 million in funding of a total estimated project cost of approximately \$40 million.

4. SmartStar Lawrence will be implemented over a three year period. Through SmartStar Lawrence, Westar will:

- a. Install and implement a system that enables customers with smart meters and Internet access the ability to monitor their energy usage and approximate energy costs on a daily basis,
- b. Install smart meters on services to approximately 45,000 customers in Lawrence and the surrounding area,
- c. Install an outage management system to enable Westar's distribution system operators to determine the cause and location of power outages more easily and restore service more quickly, and
- d. Implement the technology necessary to support smart meters and a smart grid throughout Westar's entire service territory.

There are many smart grid initiatives currently underway in the United States. Of these, approximately 100 were funded in whole or in part under the ARRA. A complete list of the companies that received ARRA funding for smart grid investment is contained in the attachment to this document.

5. Both customers and Westar will benefit from the installation of a smart grid. Customers are expected to benefit from:

- a. Enhanced service reliability and response to outages,
- b. Availability of daily energy use and cost information,

- c. Optional services such as emails and text alerts for bill trends and outage notification,
- d. A robust web portal with tips for energy savings, carbon footprint calculator, and neighborhood comparative analysis information,
- e. Technology that will enable two-way communication with thermostats, in-home displays of rate and usage information, and dynamic rate options, and
- f. A technology that will support “behind the meter” emerging consumer products including smart appliances.

Westar expects to benefit from:

- a. Advanced management tools for outage restoration efforts,
- b. Better utilization of existing electric system assets,
- c. Operational efficiencies for meter reading and customer service, and
- d. An improved ability to meet changing customer expectations.

Westar’s Request

- 6. Through this application, Westar is requesting authority:
 - a. To defer expenses associated with SmartStar Lawrence as a regulatory asset associated with this project in a separate sub account of 182.3, Regulatory Assets,
 - b. To defer the depreciation expense on capital investments associated with SmartStar Lawrence, including smart meters and software development, in the regulatory asset sub account, and
 - c. To earn a deferred return on the investment associated with SmartStar

Lawrence (net of amount funded under the ARRA) at Westar's authorized return on rate base.

7. Westar requests that it be allowed to recover the amount deferred in the regulatory asset sub account through its Energy Efficiency Rider (EER) in a future filing of the EER or amortized following a general rate review proceeding.

Support for Request

8. The following table contains the major categories and approximate cost Westar will incur for the SmartStar Lawrence project:

<u>Description</u>	<u>SmartStar \$</u>
Smart meters for city-wide exchange	\$ 8,000,000
IT Supporting Infrastructure ¹	\$26,000,000
Advanced Dist Automation Equip	\$ 3,000,000
Customer Education Expenses	<u>\$ 2,500,000</u>
SmartStar only Total	\$39,500,000
DOE Reimbursement	<u>(19,000,000)</u>
Net Total	<u>\$20,500,000</u>

9. The investment in smart grid technology is an important part of the energy future for electric customers and utilities. As was stated earlier, the SmartStar Lawrence project will provide benefits for customers and Westar through, among other things, enhanced utilization of utility assets to meet current and future customer demand for energy and improved service reliability. The SmartStar Lawrence project is, by design, a customer-centric initiative focused

¹ Includes Meter Data Management System, Advanced Metering Infrastructure Headend, Smart grid enabled Outage Management System, Customer Online Account Platform, and associated external professional service fees for project management services.

on the delivery of personalized online customer electric energy use information. With the installation of the smart meters, Westar will offer its customers access to up to date energy use, cost and environmental footprint information through a secure online account page available at www.westarenergy.com. In areas of the country where smart grid technology has been installed, availability of such information to customers has been shown to result in energy usage reductions of from 5% to 10% for some customer segments.

10. The SmartStar Lawrence project will also provide the technology base from which multiple pilot customer services can be tested. This can include pilot offerings for dynamic rates of varying configurations and utilization of enabling technologies that provide supporting communication to the customer on a flexible technology foundation. A primary objective of the project is to identify the types of customer service offerings and designs that will deliver the best overall results. This knowledge will help Westar better design the highest value services for company-wide offerings.

11. The benefits expected to be generated for customers support deferral of costs in order to match the timing of benefits received from the project with the costs of the project and provide parties the opportunity to compare the total cost of the project with the benefits of pursuing further deployment of a smart grid in Kansas.

12. The SmartStar smart grid technology will provide opportunities for operational and customer service improvements. Westar does not intend to begin multiple new business practices with the installation of the meters. However, Westar does intend to enter a collaborative dialogue with KCC Staff and interested parties in which potential changes in business practices can be discussed and appropriate utilization determined. Westar does plan to

utilize the remote meter reading feature of smart metering from installation. This remote reading will allow timely meter reading and should result in a reduction of estimated meter reads.

13. Additionally, an important aspect of the SmartStar Lawrence project is customer protection. As the implementation of smart grid moves through the project stages, Westar has provided and will continue to provide updates to the Commission's Staff, the Lawrence community, and other interested parties on various aspects of the project. Westar is especially interested in working with Staff and others on dynamic pricing, customer protection, and business practices to assure a balanced but forward looking implementation process. Some of the items to discuss include but are not limited to:

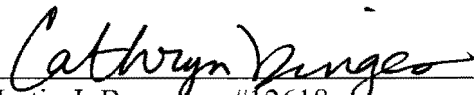
- a. The definition of estimated meter readings,
- b. Proration of seasonal differences in rates,
- c. Requirement for registered reads on bills,
- d. Use of remote connections and disconnections,
- e. Types of dynamic pricing programs, and
- f. Rate recovery matters assuming full deployment.

14. Westar has not yet made definitive plans for future deployment of smart metering. A primary objective of SmartStar Lawrence is help Westar better determine the appropriate approach for further smart metering installations. The project will help validate operational efficiency assumptions and provide insight to reasonable expectations from customer services such as dynamic rate offerings, enabling technologies and other energy efficiency support. The data obtained in the project will enable a higher degree of confidence in business case analysis that can determine the best approach.

WHEREFORE, Westar requests the Commission to permit Westar to defer the expenses associated with this project as a regulatory asset in a separate sub account of 182.3, Regulatory Assets, to permit the inclusion of depreciation expense on capital investments including smart meters and software development in the regulatory asset sub account, and to permit Westar to earn a deferred return at Westar's authorized rate of return on its investment in the SmartStar Lawrence program.

Respectfully submitted,

WESTAR ENERGY, INC.



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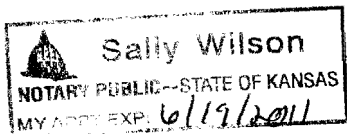
VERIFICATION

STATE OF KANSAS)
) ss:
SHAWNEE COUNTY)

Cathryn J. Dinges, being first duly sworn upon her oath, deposes and says that she is one of the attorneys for Westar Energy, Inc.; that she is familiar with the foregoing Application of Westar Energy, Inc.; and that the statements therein are true and correct to the best of his knowledge and belief.

Cathryn Dinges
Cathryn J. Dinges

Subscribed and sworn to before me on this 2nd day of March, 2011.



Sally Wilson
Notary Public

My appointment expires: 6/19/2011



CATHRYN J. DINGES
Corporate Counsel

March 2, 2011

STATE CORPORATION COMMISSION

MAR 02 2011

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

Re: In the Matter of the Application of Westar Energy, Inc. for Approval of an Accounting Authority Order to record and defer costs related to Westar Energy's SmartStar Lawrence Project.

Dear Ms. Duffy:

Enclosed for filing please find the original and eight (8) copies of the **Application of Westar Energy, Inc.**

Please file stamp one copy for my files.

Thank you for your assistance.

Sincerely,

Cathryn J. Dinges

Enclosures