

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Susan K. Duffy, Chair
Dwight D. Keen
Andrew J. French

In the Matter of the Application of Evergy)
Kansas Central, Inc. and Evergy Kansas South,)
Inc. Seeking Commission Approval for Tariff) Docket No. 21-EKCE-025-TAR
Revisions to its Energy Efficiency Rider)

ORDER ADOPTING STAFF'S REPORT AND RECOMMENDATION

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and filings in the above-captioned docket, the Commission makes the following findings and conclusions:

I. BACKGROUND

1. On July 15, 2020, Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. (jointly, Evergy Kansas Central or Evergy) filed an Application seeking approval of certain revisions to its Energy Efficiency Rider (EER).¹ The EER recovers costs associated with Commission-approved energy efficiency programs. These costs are deferred over a twelve-month period, ending in June of each year, plus any true-up amount from the previous period.

2. On August 31, 2020, Staff of the Corporation Commission of the State of Kansas (Staff) filed its Report and Recommendation (R&R)², recommending the Commission approve \$3,869,360 for Evergy's annual EER, which results in a rate of \$0.000199 per kilowatt hour (kWh). This would also result in a monthly charge to residential customers of approximately \$0.18, which is a reduction of \$0.03 per month (\$0.36 annually) compared to last year.

¹ Application of Evergy (Jul. 15, 2020) (Application).

² Notice of Filing of Staff's Report and Recommendation (Aug. 31, 2020) (R&R).

II. DISCUSSION

3. The Commission holds full power, authority and jurisdiction to supervise and control Evergy as an electric public utility, including its rates and terms of service.³

4. In docket No. 08-GIMX-441-GIV, the Commission established policy directives for EERs, including the policy to consider proposals from utilities from riders to recover costs for energy efficiency programs.⁴ The Commission rejected cost capitalization as a way to recover energy-efficiency related costs because when a utility capitalizes, or ratebases, such costs, there can be a rapid rise in costs to customers.⁵ The Commission stated an EER was preferable because the essentially contemporaneous cost recovery provided by the rider alleviates carrying cost issues and mitigates any need to capitalize such costs.⁶

5. The Commission ordered EERs to be implemented in a manner that maintains the Commission's responsibility to review such costs for prudence;⁷ additionally, any energy efficiency programs proposed by the utilities should be filed as formal tariff applications for program approval to allow the Commission the opportunity to review the program.⁸

6. Evergy has three programs that have already been approved for cost recovery. These programs are WattSaver Air Conditioner Cycling Program,⁹ Energy Efficiency Demand Response Program,¹⁰ and SimpleSavings Program Rider.¹¹ Because these programs have been previously approved by the Commission, Staff limits its review of the EER to examination of

³ See K.S.A. 66-101; see also K.S.A. 66-101b.

⁴ *Final Order*, Docket No. 08-GIMX-441-GIV, pg. 37 (Nov. 14, 2008) (08-441 Docket).

⁵ *Id.* at ¶ 106.

⁶ *Id.* at ¶ 107.

⁷ *Id.* at ¶ 32.

⁸ *Id.* at ¶ 34.

⁹ Docket No. 09-WSEE-636-TAR.

¹⁰ Docket No. 10-WSEE-141-TAR.

¹¹ Docket No. 10-WSEE-775-TAR.

whether the expenditures are consistent, in scope and amount, to that granted by the Commission for the prior period.

7. In its filed R&R, Staff stated the following¹²:

a. Staff audited Evergy's 2020 EER Application and recommended the Commission approve Evergy's EER amount of \$3,869,360.

b. Staff requested and received workpapers, supporting invoices, and the general ledger/journal entry support for the EER costs. Staff confirmed the costs from July 1, 2019, to June 30, 2020, were effectively recorded by Evergy for the programs identified above.

c. Staff reviewed the expenses of the programs provided by Evergy and compared them with Staff's historical understanding of the purpose and scope of the programs. Staff found no material errors or area for concern.

8. Staff included in its R&R a table that compared the budgets set for the various energy efficiency programs in Docket No. 15-WSEE-532-MIS with Evergy's reported 2019-2020 expenditures. Staff believes the expenditures for each program are reasonable because they do not exceed the budget for each program. Staff concluded the expenditures were also related to the scope and purpose of the programs.

9. After examination of the expenditures associated with Evergy's energy efficiency programs, Staff found the EER rate calculations to be reasonable and accurate.

III. FINDINGS AND CONCLUSIONS

10. Evergy is a regulated electric public utility subject to the Commission's jurisdiction.

¹² R&R at 2.

11. Evergy's submission of its EER is in line with the Commission's finding in Docket 08-441 that EERs are the preferred way for a utility to recover costs associated with energy efficiency programs. The Application was submitted in a manner that allowed for Commission review as ordered in Docket 08-441. Staff performed an extensive audit of Evergy's Application and determined the EER was reasonable and accurate.

12. The Commission reviewed Staff's Report and Recommendation submitted in this matter. The Commission adopts the recommendations contained within Staff's Report and Recommendation and incorporates the aforementioned into this Order by reference.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission adopts Staff's Report and Recommendation, filed in this docket on August 31, 2020.

B. Evergy's EER is approved and shall be effective with the first billing cycle of November 2020.

C. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).¹³

BY THE COMMISSION IT IS SO ORDERED.

Duffy, Chair; Keen, Commissioner; French, Commissioner

Dated: 09/22/2020



Lynn M. Retz
Executive Director

CRM

¹³ K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of Evergy Kansas Central, Inc.)
and Evergy Kansas South, Inc. Seeking) Docket No. 21-EKCE-025-TAR
Commission Approval for Tariff Revisions to)
its Energy Efficiency Rider)

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively), and files its Report and Recommendation regarding Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. (collectively, "Evergy")'s Application seeking approval of revisions to its Energy Efficiency Rider (EER). Staff recommends the Commission approve \$3,869,360 for Evergy's EER, which breaks down to a rate of \$0.000199 per kilowatt hour, or a monthly charge to residential customers of approximately \$0.18. Compared to last year's monthly energy efficiency charge, the average residential customer will experience a reduction of approximately \$0.03 per month, or \$0.36 annually.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Carly R. Masenthin

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Susan K. Duffy, Chair
Dwight D. Keen, Commissioner
Andrew J. French, Commissioner

Laura Kelly, Governor

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Susan K. Duffy
Commissioner Dwight D. Keen
Commissioner Andrew J. French

FROM: Kristina Luke Fry, Managing Auditor
Justin Grady, Chief of Revenue Requirements, Cost of Service and Finance
Jeff McClanahan, Director of Utilities

DATE: August 25, 2020

SUBJECT: Docket No. 21-EKCE-025-TAR – In the Matter of Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. Seeking Commission Approval for Tariff Revisions to its Energy Efficiency Rider.

EXECUTIVE SUMMARY:

Staff recommends the Commission approve \$3,869,360 for Evergy Kansas Central and Evergy Kansas South's (collectively referred to as "Evergy" or "Company") annual Energy Efficiency Rider (EER) filing, which results in a rate of \$0.000199 per kilowatt hour (kWh). If approved, Evergy's EER factor would result in a monthly charge to residential customers of approximately \$0.18. When compared to last year's monthly energy efficiency charge, the average residential customer will experience a reduction of approximately \$0.03 per month or \$0.36 annually.¹ Per the Suspension Order dated July 30, 2020, the Commission shall issue an Order in this Docket no later than March 12, 2021. However, consistent with the timeline for previous EER Dockets, Evergy has requested Commission approval of this EER by October 27, 2020.

BACKGROUND:

On July 15, 2020, Evergy filed an Application with the Commission requesting approval of its EER. 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. Evergy requests that the proposed 2020 EER become effective with the first billing cycle of November 2020, which in this case is October 27, 2020.

Evergy's Application seeks recovery of costs incurred in relation to Commission-approved demand response and energy efficiency programs in the amount of \$3,869,360. This amount

¹ Evergy's residential impact calculations for the reduction in the EER charge are based on average residential usage of 900 kWh per month.

includes unrecovered expenses of \$3,741,260 incurred from the period of July 1, 2019, through June 30, 2020, and under-recovered costs of \$128,100 incurred from the prior period.

In Docket No. 08-WSEE-862-ACT (08-862 Docket), Evergy sought to accumulate energy efficiency program costs in sub-account 182.3 – Other Regulatory Assets. The Commission's November 12, 2008, Order conditionally approved Evergy's request subject to certain requirements.² Evergy's specific programs, with the respective Dockets, include:

- 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

Evergy 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 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 applications in light of Commission policy directives.⁴ 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.

ANALYSIS:

Staff performed an audit of Evergy's EER Application and is recommending the Commission approve Evergy's EER amount of \$3,869,360. Staff requested and received workpapers, supporting invoices, etc., in support of Evergy's Application, as well as the general ledger/journal entry support for these costs. Staff has confirmed that these costs were effectively recorded by Evergy for these programs from July 1, 2019, through June 30, 2020.

Staff reviewed the expenses of the programs provided in Evergy'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 found no material errors or area for concern.

In the following table, the annual incurred expenditures included in the current filing for each of Evergy's energy efficiency programs are compared to the respective annual program budgets:

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

⁴ *Id.* Paragraph 34.

Program	Expenditures July 2019 – June 2020	15-WSEE-532- MIS Interim Budgets
Simple Savings Program Expenses	\$210	\$750
WattSaver Air Conditioner Cycling Program	\$490,518	\$399,218
Energy Efficiency Demand Response Rider	\$3,250,532	\$3,926,112
Total	\$3,741,260	\$4,306,862

Evergy's EER expenditures are reasonable as the total amount of expenditures does not exceed the budget for the EER program. Further, through Staff's review, the expenditures are related to the scope and purpose of the programs.

Staff has examined the expenditures associated with Evergy's energy efficiency programs and has found the proposed EER rate calculations are reasonable and accurate. Therefore, Staff recommends Commission approval of the Evergy's proposed EER.

RECOMMENDATION:

Staff recommends the Commission approve Evergy's EER amount of \$3,869,360, with the condition that Evergy shall file its next EER in July 2021 to include costs for Commission approved programs incurred from July 2020 through June 2021.

CERTIFICATE OF SERVICE

21-EKCE-025-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served via electronic service this 31st day of August, 2020, to the following:

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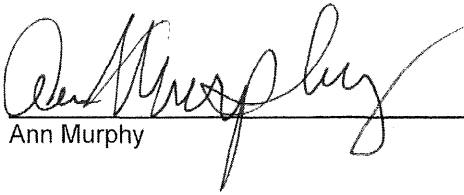
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CERTIFICATE OF SERVICE

21-EKCE-025-TAR



Ann Murphy

CERTIFICATE OF SERVICE

21-EKCE-025-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 09/22/2020.

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