

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of)	
Westar Energy, Inc. and Kansas Gas and)	
Electric Company for Approval of)	Docket No. 18-WSEE-163-TAR
Revisions to their Policy for)	
Residential Subdivisions)	

RESPONSE TO STAFF REPORT AND RECOMMENDATION

COME NOW Westar Energy, Inc. (Westar Energy) and Kansas Gas and Electric Company (KGE) (collectively referred to as “Westar”) and file this Response to Staff’s Report and Recommendation (R&R) filed in the above-captioned docket regarding Westar’s request for approval of revisions to their Policy for Residential Subdivisions. In response to Staff’s R&R, Westar states:

1. On October 16, 2017, Westar filed an Application requesting approval to make a change to its existing “Policy for Residential Subdivisions” that addresses the provision of electric service to developers of residential housing areas prior to the time that homes are sold and permanent meters are set for the individual lots in the area. Westar explained that under the current tariff, it provides a \$40,000 allowance towards a conventional overhead distribution system per subdivision. If the developer chooses to install something other than a conventional overhead distribution system, the developer is responsible for the difference between the cost of the conventional system and the cost of the system selected by the developer. Additionally, the developer is required to deposit with Westar an amount equal to the difference between the \$40,000 allowance and the cost of a conventional overhead distribution system. The developer is eligible for potential refunds of the deposit during the five-year period after the deposit is made, based on the setting of permanent meters on at least the number of lots sufficient to cover Westar’s investment.

2. In its Application, Westar requested Commission approval to revise the policy to allow developers to provide an irrevocable letter of credit instead of a cash deposit. Westar explained that it had been approached by several developers who have indicated that the deposit requirement is burdensome for them and inhibits their ability to pursue development opportunities. These developers requested the ability to utilize an irrevocable letter of credit instead because it would provide them with more flexibility and allow them to have less cash tied up as they develop the subdivisions.

3. On May 2, 2018, Staff filed its R&R. In the R&R, Staff recommended that the Commission open a generic docket to examine Westar's request to allow developers to use irrevocable letters of credit. Staff's basis for this recommendation was that there is not an established Commission policy on the issue and that some other utilities currently accept irrevocable letters of credit in lieu of cash deposits despite the fact that they do not have specific tariff language allowing for this.

4. Westar disagrees with Staff's recommendation for the Commission to defer decision on this issue to a generic docket, which could take a significant amount of time to complete.

5. As Westar explained in its Application in this docket, allowing developers the option to provide an irrevocable letter of credit instead of a cash deposit will modernize Westar's business practices and assist with economic development. There is no reason for the Commission to defer its decision on whether to accept irrevocable letters of credit to a generic docket. That would simply delay provision of the economic benefit that will result from allowing flexibility for the developers, who have specifically requested this revision. If other utilities decide that they

want to implement a similar practice, they can file separate applications to change their tariffs and rely on the Commission's decision in this docket for support.

6. Staff suggests that it has concerns about using irrevocable letters of credit instead of deposits because cash deposits are treated as an offset to rate base. This concern is unwarranted because the purpose of obtaining deposits from developers is not to offset rate base. The deposit is to ensure that there is a financial guarantee of reimbursement for infrastructure buildout in the case that full development does not occur and the irrevocable letter of credit effectively serves this purpose. Westar does not want to hold cash deposits for developers to the potential detriment of their business when another sound option is available.


7. Staff also suggests that there would be a risk of non-payment if the Commission approved Westar's request to allow irrevocable letters of credit. However, Westar has mitigated that risk with the requirements it included in its proposed tariff language that require the developer to obtain the letter of credit from a financially sound institution. Westar's proposed revisions ensure that Westar – and its other customers – is protected and has the ability to recover its investment by drawing on the letter of credit but will allow the developers the flexibility they have requested.

8. Therefore, Westar is requesting that the Commission make a decision in this docket approving the revised version of Westar's Policy for Residential Subdivisions that would allow developers to either provide a cash deposit or an irrevocable letter of credit and deny Staff's request to open a generic docket to address this issue.

WHEREFORE, Westar respectfully requests that the Commission issue an order approving its revised Policy for Residential Subdivisions in its entirety.

Respectfully submitted,

WESTAR ENERGY, INC.
KANSAS GAS AND ELECTRIC COMPANY


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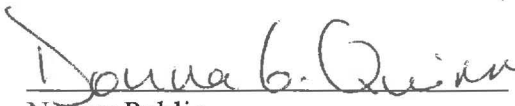
VERIFICATION

STATE OF KANSAS)
)
COUNTY OF SHAWNEE) ss:

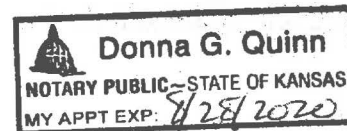
Cathryn J. Dinges, being duly sworn upon her oath deposes and says that she is the attorney for Westar Energy, Inc. and Kansas Gas and Electric Company; that she is familiar with the foregoing **Application** that the statements therein are true and correct to the best of her knowledge and belief.


Cathryn J. Dinges

SUBSCRIBED AND SWORN to before me this 14th day of May, 2018.


Notary Public

My Appointment Expires: 8/28/2020



CERTIFICATE OF SERVICE

I do hereby certify that on the 14th day of May, 2018, I electronically filed via the Kansas Corporation Commission's Electronic Filing System, a true and correct copy of the above and foregoing with a copy emailed to all parties of record.


Cathryn Dinges