

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

STATE CORPORATION COMMISSION

SEP 08 2010



In the Matter of Westar Energy, Inc. and )  
Kansas Gas and Electric Company (both doing )  
business as Westar Energy) Filing Tariff )  
Revisions Seeking Approval for an Energy )  
Efficiency Rider Pursuant to the Commission's )  
Order Dated November 18, 2008 in Docket )  
No.08-GIMX-441-GIE. )

Docket No. 11-WSEE-032-TAR

**NOTICE OF FILING OF STAFF MEMORANDUM**

The Staff of the State Corporation Commission of the State of Kansas (“Staff” and “Commission”, respectively), files its Memorandum, and states the following:

1. Staff hereby files the attached Memorandum, prepared by Andria Finger and Michael Deupree, recommending the Commission approve Westar Energy’s Energy Efficiency Cost Recovery Rider (EER), as revised by Staff, in the amount of \$5,830,491.17, and subject to the conditions set forth in the Memorandum.

WHEREFORE, Staff submits its Memorandum for Commission review and consideration and for such other and further relief as the Commission deems just and proper.

Respectfully submitted,



Terri J. Pemberton, #23297  
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TJP:rob

MEMORANDUM

To: Chairman Wright  
Commissioner Harkins  
Commissioner Lloyd

From: Andria Finger *AF*  
Michael Deupree *MD*

Date: August 30, 2010

Re: Docket No. 11-WSEE-032-TAR – In the Matter of Westar Energy, Inc. and Kansas Gas and Electric Company (both doing business as Westar Energy) Filing Tariff Revisions Seeking Approval for an Energy Efficiency Rider Pursuant to the Commission’s Order Dated November 18, 2008 in Docket no. 08-GIMX-441-GIE.

Date Filed to Legal: 9/7/10

Date Filed to the Commissioners: 9/08/10

**BACKGROUND**

On July 16, 2010, 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 Cost Recovery Rider (EER). As a result of the addition 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 bill cycle 1 for October, which is September 29, 2010. Accordingly, Staff submits this Memorandum for the Commission’s consideration.

Westar’s application seeks recovery of costs it has incurred related to Commission-approved demand response and energy efficiency programs in the amount of \$5,832,635.06. In Docket No. 08-WSEE-862-ACT 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.<sup>1</sup>

<sup>1</sup> The Commission’s November 12, 2008, Order 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.

Westar's specific programs, with the respective dockets, include:

- Energy Efficiency Educational 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

Westar has received the Commission's 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 18 Order on Docket No. 08-GIMX-441-GIV, *In the Matter of a General Investigation Regarding Cost Recovery and Incentives for Energy Efficiency Programs (441 Docket)*.

Westar's application included an Energy Efficiency Rider for Westar Energy, Inc. and Kansas Gas Service.<sup>2</sup> The Energy Efficiency Rider is designed to recover costs associated with Commission approved Energy Efficiency Programs from the inception of the individual programs through June 30, 2010. If approved, Westar's EER will be in effect from the first billing cycle of October 2010 through the last billing cycle in September 2011.

Additionally, Westar is filing to cancel the Fuel Proration Rider for both Westar Energy, Inc. and Kansas Gas and Electric Company, which was approved in Docket No. 09-WESS-925-RTS for the months of February and March 2010.<sup>3</sup>

### ANALYSIS

Staff performed an audit of Westar's EER application, as discussed in the sections below. Staff finds that the Commission should approve a revised EER amount of \$5,830,491.17 for Westar, after accounting for Staff's recommendation that certain expenses included in Westar's EER amount be removed from this application.

### ACCOUNTING

Staff requested and received workpapers in support of Westar's application. While most of the audit was conducted in-house, Staff also met with Westar on one occasion at Westar's corporate offices in Topeka. This meeting allowed Staff to further question Westar about information provided by the company and to review supporting invoices, report summaries, etc. Staff notes that Westar personnel were open and forthcoming when answering Staff's questions and providing requested supporting documentation.

Attached to Staff's memo as Exhibit ANF-1 is a breakdown of the costs incurred by Westar, by program for each Commission-approved program. At the bottom of the exhibit, Staff included Westar's proposed EER computation based upon the respective total costs incurred. 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 the inception of the individual programs through June 30, 2010.

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<sup>2</sup> Please see tariff sheets entitled "Schedule EER" attached to the Application.

<sup>3</sup> The Fuel Proration Rider was a temporary rider stemming from the Westar's rate consolidation efforts. The Rider only applied to February and March of 2010, and is currently inactive.

Staff Exhibit ANF-2 presents Staff's recommended EER amount of \$5,830,491.17. This amount excludes certain expenses related to labor that was allocated to Westar's energy efficiency education programs, and is further discussed in more detail below.

### ECONOMICS

In the 441 Docket the Commission indicated that EERs should be implemented in a manner that "...maintains the Commission's responsibility to review costs for prudence."<sup>4</sup> 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 with regards to Commission policy directives.<sup>5</sup> Therefore, since all program have been approved by the Commission, Staff limits its review to whether program costs intended to be recovered are consistent with utility program applications.

As described above, Staff requested and received workpapers in support of the Company's application, including general ledger entries. Of particular interest were \$2,142.89 worth of expenses related to labor that were allocated to the Company's energy efficiency education programs.<sup>6</sup> In response to follow-up inquires by Staff, Westar elaborated that these expenses were rebates given to Company employees to encourage the purchase of Compact Fluorescent Light bulbs (CFLs) through the Save a Watt, Save a Lot program.

In its April 13 Order in Docket 08-GIMX-442-GIV entitled, *Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification*, the Commission indicated that "...programs involving payments or the provision of articles of value should be submitted for Commission review with a program specific tariff schedule."<sup>7</sup> The expenses listed by the Westar clearly involve payments made by the Company to program participants, which in this case also happen to be Company employees. Save a Watt, Save a Lot however is not a tariffed program on file with the Commission. Instead, Save a Watt, Save a Lot is merely one of many non-tariff education-related programs the Company has pursuant to the Commission order in Docket 09-WSEE-986-ACT. Staff therefore removed these labor-related expenses from its recommended EER amount, viewing them as inconsistent with Commissions directions given in Docket 08-GIMX-442-GIV, and inappropriate to be recovered through a rider.

### RATE DESIGN

The EE factor presented on sheet 2 of the tariff "Schedule EER" was calculated using the Company's retail sales forecast, aggregating all retail rate classes' projected kWh usage minus retail lighting. This same per-kWh rate was then utilized for each retail rate class with the

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<sup>4</sup> Docket 08-GIMX-441-GIV, *Final Order*, ¶ 32

<sup>5</sup> *id.* ¶ 34

<sup>6</sup> Some expenses are incorrectly allocated to the Company's WattSaver program. Westar believes this error is due to miss-keyings, as all of these expenses are related to the Company's Save a Watt, Save a Lot program (one of many program contained within the Company's education program suite).

<sup>7</sup> Docket 08-GIMX-442-GIV, *Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification*, ¶ 31

exception of lighting classes.<sup>8</sup> Staff Exhibit ANF-2 provides the supporting calculations for the development of the rates resulting from Staff's recommended EER amount.

Staff has reviewed the rates and found them to be accurate. Staff therefore recommends the Commission approve Staff's revised Energy Efficiency Rider as proposed in the application.

### **RECOMMENDATION**

Staff recommends the Commission approve Westar's revised EER amount of \$5,830,491.17 with the following conditions:

- Westar shall file its next EER on or before July 1, 2011, to include costs incurred for Commission-approved programs from the first billing cycle of October 2011 through the last billing cycle in September 2012. In this filing Westar shall include a true-up calculation to true-up amounts collected in the previous years versus the amounts intended to be collected in previous year's EER filings.
- Westar shall file revised tariffs reflecting the rates and charges recommended by Staff prior to the EER becoming effective.

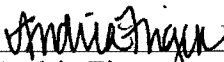
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<sup>8</sup> An Energy Efficiency Factor was not included with the Company's lighting tariffs as there are no energy efficiency programs applicable to lighting-only customers.

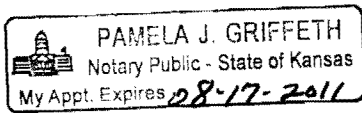
STATE OF KANSAS                    )  
  ) ss.  
COUNTY OF SHAWNEE            )

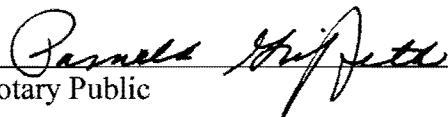
**VERIFICATION**

Andria Finger, being duly sworn upon her oath deposes and states that she is an Auditor for the Utilities Division of the State Corporation Commission of the State of Kansas, that she has read and is familiar with the foregoing *Memorandum*, and that the statements contained therein are true and correct to the best of her knowledge, information and belief.

  
\_\_\_\_\_  
Andria Finger  
Auditor, Utilities Division  
Kansas Corporation Commission of the  
State of Kansas

Subscribed and sworn to before me this 8th day of September, 2010.



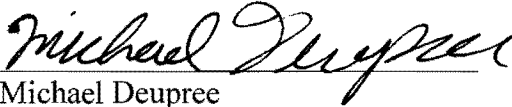
  
\_\_\_\_\_  
Notary Public

My Appointment Expires: August 17, 2011

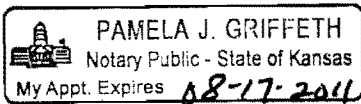
STATE OF KANSAS                    )  
  ) ss.  
COUNTY OF SHAWNEE            )

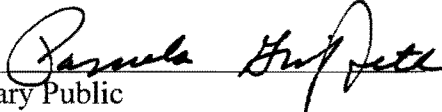
**VERIFICATION**

Michael Deupree, being duly sworn upon his oath deposes and says that he is the Research Analyst for the State Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Memorandum*, and that the statements contained therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Michael Deupree  
Research Analyst, Utilities Division  
State Corporation Commission of the  
State of Kansas

Subscribed and sworn to before me this 8<sup>th</sup> day of September, 2010.



  
\_\_\_\_\_  
Notary Public

My Appointment Expires: August 17, 2011

Westar Energy, Inc.  
Docket No. 11-WSEE-032-TAR  
Energy Efficiency Rider Computation

Exhibit ANF-1

**WattSaver**

Docket No. 09-WSEE-636-TAR

	June-09	July-09	August-09	September-09	October-09	November-09	December-09	2009 YTD
2009 Monthly Costs	\$109,089.00	\$18,751.60	\$12,048.01	\$36,278.45	\$38,201.05	\$395,822.80	\$332,469.22	\$942,660.13
	January-10	February-10	March-10	April-10	May-10	June-10		2010 YTD
2010 Monthly Costs	\$214,781.73	\$432,171.73	\$790,547.15	\$501,635.10	\$223,184.31	\$393,775.80		\$2,556,095.82
Total Program Cost								<b>\$3,498,755.95</b>

**Building Operator Certification**

Docket No. 09-WSEE-738-MIS

	June-09	July-09	August-09	September-09	October-09	November-09	December-09	2009 YTD
2009 Monthly Costs	-	-	\$25.00	\$81.24	\$10,940.37	\$18,139.54	\$8,433.59	\$37,619.74
	January-10	February-10	March-10	April-10	May-10	June-10		2010 YTD
2010 Monthly Costs	\$1,876.20	\$3,365.70	\$1,907.48	\$23,810.81	\$2,527.45	\$1,714.63		\$35,202.27
Total Program Cost								<b>\$72,822.01</b>

**Education Programs**

Docket No. 09-WSEE-986-ACT

	June-09	July-09	August-09	September-09	October-09	November-09	December-09	2009 YTD
2009 Monthly Costs	-	-	\$8,258.15	\$1,346.73	\$5,699.92	\$102,477.80	\$3,019.51	\$120,802.11
	January-10	February-10	March-10	April-10	May-10	June-10		2010 YTD
2010 Monthly Costs	\$16,820.36	\$7,171.94	\$18,493.48	\$1,266.58	\$4,199.30	\$8,689.34		\$56,641.00
Total Program Cost								<b>\$177,443.11</b>

**Energy Efficiency Demand Response Rider**

10-WSEE-141-TAR

	January-10	February-10	March-10	April-10	May-10	June-10	2010 YTD
2010 Monthly Costs	-	-	\$942.57	-	\$90.42	-	\$1,032.99
Total Program Cost							<b>\$1,032.99</b>

**Energy Efficiency Demand Response Rider**

10-WSEE-141-TAR

	January-10	February-10	March-10	April-10	May-10	June-10	2010 YTD
2010 Monthly Costs	-	-	-	-	\$1,689,532.00	\$393,048.00	\$2,082,580.00
Total Program Cost							<b>\$2,082,580.00</b>

**Energy Efficiency Rider Computation**

Program	Cost (\$)	Sales (kWh)	EER factor
WattSaver	\$3,498,755.95		
Building Operator Certification	72,822.01		
Education Programs	177,443.11		
Energy Efficiency Demand response Rider	1,032.99		
Energy Efficiency Demand response Rider	2,082,580.00		
(a) Grand Total of All Program Costs	<b>\$5,832,634.06</b>		
Total Retail Energy Sales		19,994,312,000	
Less: Lighting Energy Sales		(162,688,000)	
(b) Total Sales (kWh)		<b>19,831,624,000</b>	
Charge per kWh, (a) / (b)			<u>0.0002941</u>

Sources: Workpapers supporting EER calculation received via email; General ledger detail of actual costs delivered to KCC by Dick Rohlfes  
Staff also reviewed invoices and reports on-site to verify the validity of these sources.



Westar Energy, Inc.  
Docket No. 11-WSEE-032-TAR  
Revised Energy Efficiency Rider Computation

Exhibit ANF - 2

**WattSaver**

Docket No. 09-WSEE-636-TAR

	June-09	July-09	August-09	September-09	October-09	November-09	December-09	2009 YTD
2009 Monthly Costs	\$109,089.00	\$18,751.60	\$12,048.01	\$36,278.45	\$38,201.05	\$395,822.80	\$332,469.22	\$942,660.13
	January-10	February-10	March-10	April-10	May-10	June-10		2010 YTD
2010 Monthly Costs	\$214,781.73	\$432,171.73	\$790,547.15	\$501,635.10	\$223,184.31	\$393,775.80		\$2,556,095.82
Total Program Cost								\$3,498,755.95
Staff's Adjustment to Remove Labor Related Expenses, Exempt								(255.75)
Staff's Adjustment to Remove Labor Related Expenses, Hourly								(214.45)
Staff's Revised Total Program Cost								<b>\$3,498,285.75</b>

**Building Operator Certification**

Docket No. 09-WSEE-738-MIS

	June-09	July-09	August-09	September-09	October-09	November-09	December-09	2009 YTD
2009 Monthly Costs	-	-	\$25.00	\$81.24	\$10,940.37	\$18,139.54	\$8,433.59	\$37,619.74
	January-10	February-10	March-10	April-10	May-10	June-10		2010 YTD
2010 Monthly Costs	\$1,876.20	\$3,365.70	\$1,907.48	\$23,810.81	\$2,527.45	\$1,714.63		\$35,202.27
Total Program Cost								<b>\$72,822.01</b>

**Education Programs**

Docket No. 09-WSEE-986-ACT

	June-09	July-09	August-09	September-09	October-09	November-09	December-09	2009 YTD
2009 Monthly Costs	-	-	\$8,258.15	\$1,346.73	\$5,699.92	\$102,477.80	\$3,019.51	\$120,802.11
	January-10	February-10	March-10	April-10	May-10	June-10		2010 YTD
2010 Monthly Costs	\$16,820.36	\$7,171.94	\$18,493.48	\$1,266.58	\$4,199.30	\$8,689.34		\$56,641.00
Total Program Cost								\$177,443.11
Staff's Adjustment to Remove Labor Related Expenses, Exempt								(1,284.95)
Staff's Adjustment to Remove Labor Related Expenses, Hourly								(387.74)
Staff's Revised Total Program Cost								<b>\$175,770.42</b>

**Energy Efficiency Demand Response Rider**

10-WSEE-141-TAR

	January-10	February-10	March-10	April-10	May-10	June-10	2010 YTD
2010 Monthly Costs	-	-	\$942.57	-	\$90.42	-	\$1,032.99
Total Program Cost							<b>\$1,032.99</b>

**Energy Efficiency Demand Response Rider**

10-WSEE-141-TAR

	January-10	February-10	March-10	April-10	May-10	June-10	2010 YTD
2010 Monthly Costs	-	-	-	-	\$1,689,532.00	\$393,048.00	\$2,082,580.00
Total Program Cost							<b>\$2,082,580.00</b>

**Energy Efficiency Rider Computation**

Program	Cost (\$)	Sales (kWh)	EER factor
WattSaver	\$3,498,285.75		
Building Operator Certification	\$72,822.01		
Education Programs	\$175,770.42		
Energy Efficiency Demand response Rider	\$1,032.99		
Energy Efficiency Demand response Rider	\$2,082,580.00		
(a) Grand Total of All Program Costs	<b>\$5,830,491.17</b>		
Total Retail Energy Sales		19,994,312,000	
Less: Lighting Energy Sales		(162,688,000)	
(b) Total Sales (kWh)		<b>19,831,624,000</b>	
Charge per kWh, (a) / (b)			<u>0.0002940</u>

**CERTIFICATE OF SERVICE**

11-WSEE-032-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff Memorandum was placed in the United States mail, postage prepaid, or hand-delivered this 8th day of September, 2010, to the following:

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\*\*\*\* Hand Deliver \*\*\*\*

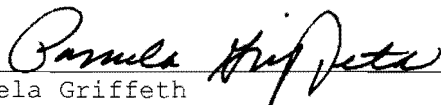
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\_\_\_\_\_  
Pamela Griffeth  
Administrative Specialist

\* Denotes those receiving the Confidential version