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

Before Commissioners: Dwight D. Keen, Chair
Shari Feist Albrecht
Jay Scott Emler

In the Matter of the Application of Kansas Gas and Electric Company for Approval of the Amendment to the Energy Supply Agreement between Kansas Gas and Electric Company and HollyFrontier El Dorado Refining LLC)	Docket No. 19-KG&E-091-CON

ORDER APPROVING AMENDED ENERGY SUPPLY AGREEMENT

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

I. Background

1. On August 28, 2018, Kansas Gas and Electric Company, d/b/a Westar Energy (Westar), and HollyFrontier El Dorado Refining LLC (together as Joint Applicants) filed with the Commission a Joint Application requesting approval of an amended Energy Supply Agreement (ESA or Agreement) between Westar and HollyFrontier El Dorado Refining LLC (HollyFrontier).[1]

2. According to Joint Applicants, the amended ESA provides for an additional five-year term that provides both parties with more flexibility to operate HollyFrontier's Cogeneration plant (Cogen), while also increasing HollyFrontier's minimum monthly energy requirement. Moreover, the Agreement does not change the rates HollyFrontier pays under the current ESA,

[1] Joint Application of Westar and HollyFrontier El Dorado Refining LLC (Application) (Aug. 28, 2018).

and Westar continues to receive the same benefits from HollyFrontier provided under the current ESA.[2]

II. Jurisdiction and Standards of Review

3. The Commission holds full power, authority and jurisdiction to supervise and control Westar as an electric public utility doing business in Kansas pursuant to K.S.A. 66-101. The Commission holds jurisdiction over Westar's rates and terms of service under K.S.A. 66-101b. All rates requested by Westar pertaining to jurisdictional service must be approved by the Commission pursuant to K.S.A. 66-117. Additionally, any tariff filing or special contract filing must be made in compliance with K.S.A. 66-117(c).

4. According to K.S.A. 66-101b, any rates charged by Westar must be just and reasonable. The rates may not be unreasonably discriminatory or unduly preferential.

5. Pursuant to the Commission Order in Docket No. 01-GIME-813-GIE, to ensure contract rates are just and reasonable, the Commission has identified a standard process for reviewing contract rates. The order in the abovementioned docket requires the utility to provide the following information when filing a special contract:

a. A narrative explaining why the special contract is necessary and why the price and other terms are just and reasonable;

b. Specific information on the customer's operations and needs;

c. Information on the effect of the special contract on the utility's system over the term of the special contract;

d. A detailed cost analysis of the proposed special contract; and

e. A statement of the benefits from the special contract to the utility and other customers. Further, costs should be separated at a minimum into generation, transmission, and distribution components

[2] Application, pgs. 1-2.

III. Staff's Report and Recommendation

6. On February 1, 2019, Staff submitted a Report and Recommendation analyzing the Joint Application and proposed ESA. In its Report and Recommendation, Staff provided a brief history of the contractual arrangements between Westar and HollyFrontier, which date back to June 2005. Staff noted the Commission approved the initial ESA, and subsequent extensions to the ESA, in Docket Nos. 05-KG&E-906-CON and 12-KG&E-718-CON.[3]

7. Staff explained in its Report and Recommendation that the Agreement is for an additional five-year term at the currently effective rates, with the following notable changes:

a. HollyFrontier's Cogen capacity increased from 35 MW to 39 MW;

b. HollyFrontier can now run its Cogen up to eight weeks for any reason;

c. Westar can now call on HollyFrontier to run its Cogen up to eight weeks for any reason, at no cost;

d. Unused Cogen calls by Westar can be used by HollyFrontier for any reason up to 16 weeks per year; and

e. HollyFrontier's minimum bill increased from 16 million kWh per year to 14 million kWh per month.[4]

8. Additionally, Staff reviewed the Joint Application, Direct Testimony, and responses to discovery Westar and HollyFrontier provided to determine if the filing requirements of Docket No. 01-GIME-813-GIE, listed above, were met. Staff determined the following:

a. Westar provided a narrative stating the Agreement is necessary to maintain HollyFrontier's rates at the current level and to sway HollyFrontier's interests away from installing additional Cogen capacity to run its entire facility load;

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[3] Staff's Report and Recommendation (Feb. 1, 2019).
[4] Staff's Report and Recommendation, pg. 2.

b. Specific information on the customer's operations and needs were provided in that Joint Applicants showed HollyFrontier is a refinery located in El Dorado, Kansas and is one of the largest oil refineries in the plains states. HollyFrontier's complexity and direct access to the Cushing, Oklahoma hub enables it to refine a wide variety of crude oils. Also, HollyFrontier is one of Westar's largest customers with a 12 month average demand of 57MW and an 86% load factor. Additionally, HollyFrontier owns and operates a Cogen unit with associated heat recovery steam generation equipment. The Cogen unit is a natural gas unit that was rated at 35 MW output but has been upgraded to 39 MW of output;

c. Information on the effect of the special contract on the utility's system over the term of the special contract was provided via Westar, stating "[Westar] receives a no-cost Cogen call option for construction and maintenance efforts, load shedding, or responding to other market conditions." One of the effects is HollyFrontier's Cogen provides voltage support if necessary in the event of unplanned contingencies in the El Dorado area. This increases Westar's reliability and also helps with transmission congestion in the area. For example, on June 15, 2018, there was an explosion on the Southern Star natural gas pipeline near Hesston and Westar called on HollyFrontier to run its Cogen because Westar owned generation on the Southern Star pipeline could have been compromised due to no gas supply. In this case, Westar exercised its option to call on HollyFrontier increasing the reliability of Westar's system;

d. A detailed cost analysis of the proposed special contract was provided by HollyFrontier upon request, which included 1) HollyFrontier's costs under the current ESA, 2) HollyFrontier's costs on the HLF tariff with the ISR rider, and 3) HollyFrontier's costs using its Cogen facility and Westar as a back-up service; and

e. A statement of the benefits of the special contract to the utility and other customers was provided by Westar, which stated the Agreement will benefit it and other customers in the following ways:

   i. Westar benefits from the ability to coordinate maintenance outages in conjunction with Westar's summer peak;

   ii. The ability to count capacity from the Cogen plant toward its SPP reserve margin;

   iii. A summer/winter pricing differential to reflect Westar's higher fuel and generation costs during the summer months;

   iv. Contract clauses to ensure HollyFrontier is subject to all Riders and Surcharges;

   v. A requirement for HollyFrontier to pay its pro rata share of any general rate increase; and

   vi. Increase availability and shooter notification requirement compared to the standard ISR.[5]

9. After reviewing the documents supplied by both Westar and HollyFrontier, Staff concluded the Joint Applicants met the Commission's filing requirements for special contracts.[6]

10. Furthermore, as part of its review process Staff conducted variable cost analysis and a Cogen savings analysis to determine if the Agreement benefits Westar's remaining customers. Staff evaluated the benefit to core customers by evaluating whether core Westar

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[5] Staff's Report and Recommendation, pg. 5.
[6] Id.

customers are better off with HollyFrontier at discounted rate or better off with HollyFrontier utilizing its Cogen plant and relying on Westar for standby service. Staff concluded that HollyFrontier can reduce its energy demand significantly by relying on its Cogen or by adding enough generation capacity to supply its entire load. Because of these possibilities, Staff believes the Agreement is necessary to incentivize HollyFrontier from taking these actions. Ultimately, Staff determined the Agreement, as proposed, results in net benefits totaling $1,944,955 for Westar's remaining customers.[7]

11. After reviewing all relevant information provided by Joint Applicants, and after conducting the abovementioned analysis, Staff concluded the Agreement is necessary and the proposed rates are just and reasonable.[8]

12. The Commission finds Staff's findings and recommendations to be reasonable and hereby adopts the same.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission hereby approves Joint Applicant's Application for approval of the 2019 Energy Supply Agreement.

B. 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).

C. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further order, or orders, as it may deem necessary.

[7] Staff's Report and Recommendation, pg. 9.
[8] Id.

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Albrecht, Commissioner; Emler, Commissioner

Dated: 02/12/2019

Lynn M. Retz

Lynn M. Retz
Secretary to the Commission

MRN/PZA

CERTIFICATE OF SERVICE

19-KG&E-091-CON

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of electronic service on 02/12/2019.

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