

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

SEP 10 2013

by
Kansas Corporation Commission
of Kansas

In the Matter of Westar Energy, Inc. and)
Kansas Gas and Electric Company Seeking) Docket No. 14-WSEE-030-TAR
Commission Approval for Tariff Revisions to)
the Energy Efficiency Rider.)

NOTICE OF FILING STAFF'S REPORT AND RECOMMENDATION

The Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively) files its report and recommendation on Westar Energy, Inc. and Kansas Gas and Electric Company's (collectively referred to as "Westar") request for Commission approval of Tariff Revisions to the Energy Efficiency Rider (EER). Staff recommends that the Commission approve Westar's EER amount of \$10,522,147, which will decrease an average residential customer bill by \$0.06 per month, subject to certain specified conditions relevant to Westar's next EER filing.

WHEREFORE, Staff requests the Commission consider its Report and Recommendation and for such other and further relief as the Commission deems just and proper.

Respectfully submitted,

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Mark Sievers, Chairman
Thomas E. Wright, Commissioner
Shari Feist Albrecht, Commissioner

Sam Brownback, Governor

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Mark Sievers
Commissioner Thomas E. Wright
Commissioner Shari Feist Albrecht

FROM: Andria Finger, Senior Auditor
Katie Figgs, Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director

DATE: September 5, 2013

DATE SUBMITTED TO LEGAL: 9/9/13

DATE SUBMITTED TO COMMISSIONERS: 9/10/13

SUBJECT: Docket No. 14-WSEE-030-TAR – In the Matter of Westar Energy, Inc. and Kansas Gas and Electric Company Seeking Commission Approval for Tariff Revisions to the Energy Efficiency Rider.

EXECUTIVE SUMMARY:

Staff recommends the Commission approve \$10,522,147 for Westar's annual Energy Efficiency Rider filing, which results in a recovery of costs of \$0.000538/kWh. If approved, Westar's EER factor would decrease an average residential customer bill by \$0.06 per month or \$0.74 annually. Per the Suspension Order dated August 6, 2013, Staff is to file its Report and Recommendation in this matter by September 11, 2013.

BACKGROUND:

On July 11, 2013, 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 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 these tariffs become effective with the first billing cycle of November 2013, which is October 29, 2013. Accordingly, Staff submits this Report and Recommendation for the Commission's consideration.

Westar's Application seeks recovery of costs it incurred in relation to Commission-approved demand response and energy efficiency programs in the amount of \$10,522,147. This amount includes unrecovered expenses of \$10,420,179, incurred from the period July 1, 2012 through June 30, 2013, and under-recovered costs of \$101,968, incurred from the prior period. In Docket No. 08-WSEE-862-ACT (08-862 Docket), 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.¹ Westar's specific programs, with the respective dockets, include:

- Energy Efficiency Education 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
- SimpleSavings Program Rider, Docket No. 10-WSEE-775-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 14, 2008, Order issued in Docket No. 08-GIMX-441-GIV (08-441 Docket), *In the Matter of a General Investigation Regarding Cost Recovery and Incentives for Energy Efficiency Programs*.

Westar's Application included an Energy Efficiency Rider for Westar Energy, Inc. and Kansas Gas and Electric Company.² The Energy Efficiency Rider is designed to recover costs associated with Commission-approved Energy Efficiency Programs deferred over a 12-month period ending in June of each year plus any true-up amount from the prior period. If approved, Westar's EER will be in effect from the first billing cycle of November 2013 through the last billing cycle in October 2014.

ANALYSIS:

Staff performed an audit of Westar's EER Application, as discussed below. Staff recommends the Commission approve the EER amount of \$10,522,147 for Westar as requested by the Company.

Staff requested and received workpapers, supporting invoices, etc., in support of Westar's Application. Additionally, 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 July 1, 2012 through June 30, 2013.

¹ The Commission's Order in the 08-862 Docket 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.

² See tariff sheets entitled "Schedule EER" attached to the Application.

Additionally, Staff reviewed the expenses of the programs provided in Westar's schedules and compared them with Staff's historical understanding of the purpose and scope of the programs. Staff believes these expenses are acceptable and the subject of these expenses appears reasonable. Staff believes from previous review of the program offerings and public outreach and education described in the tariff and past energy efficiency dockets that Westar is maintaining a similar level of energy efficiency programs and offerings. Based on these assessments, these offerings appear to be in line with previous Commission Orders.

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 approved by the Commission previously, Staff limits its reviews of EERs to examinations of expenditures consistency – both in scope and amount – to that previously granted approval by the Commission.

The following table presents Westar's energy efficiency programs actual annual expenditures incurred included in this filing versus the programs proposed budgets:

Program	Expenditures July 2012 - June 2013	Program Budget
Energy Efficiency Education Program	132,042	125,000
Building Operator Certification Program	60,365	166,518
WattSaver Air Conditioner Cycling Program	6,269,581	5,206,801
Energy Efficiency Demand Response Program	3,955,622	4,800,000
SimpleSavings Program Rider	2,569	25,000
Total	10,420,179	10,323,319

Staff has examined all expenditures associated with Westar's energy efficiency programs and has found the calculations to be accurate and consistent with prior Commission Orders. Staff has also reviewed the proposed rate and found it to be accurate. Staff therefore recommends Commission approval of the EER as filed by Westar.

RECOMMENDATION:

Staff recommends the Commission approve Westar's EER amount of \$10,522,147, with the following condition:

³ See ¶ 32 of the Final Order dated November 14, 2008, in the 08-441 Docket.

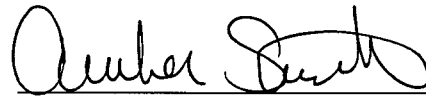
⁴ *Id.* ¶ 34.

- Westar shall file its next EER in July 2014, to include costs incurred for Commission-approved programs from the first billing cycle of November 2013 through the last billing cycle in October 2014. In this filing, Westar shall include a true-up calculation to true-up amounts collected in the previous year versus the amounts intended to be collected in the previous year's EER filings.

VERIFICATION

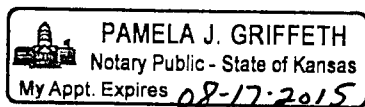
STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

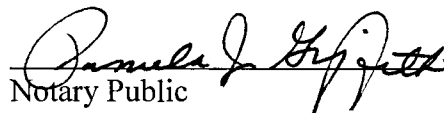
Amber Smith, of lawful age, being duly sworn upon her oath deposes and states that she is Litigation Counsel for the State Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Notice of Filing of Staff's Report and Recommendation* and attests that the statements therein are true to the best of her knowledge, information and belief.



Amber Smith, S. Ct. #23911
Litigation Counsel
The State Corporation Commission
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 10th day of September, 2013.





Notary Public

My Appointment Expires: August 17, 2015

CERTIFICATE OF SERVICE

14-WSEE-030-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff Report and Recommendation was served by electronic service on this 10th day of September, 2013, to the following parties who have waived receipt of follow-up hard copies.

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