

THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of Westar )  
Energy, Inc. and Kansas Gas and Electric ) Docket No. 15-WSEE-532-MIS  
Company for Approval of Interim Budgets )  
for Energy Efficiency Programs. )

**NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION; MOTION  
FOR ORDER**

The Staff of the Kansas Corporation Commission (Staff and Commission, respectively) hereby files its Report and Recommendation (R&R) dated September 1, 2015, attached hereto and made a part hereof by reference. Staff's R&R contains the following recommendations:

1. Before the Commission grants interim approval, Westar should be required to submit detailed budgets that comply with the guidelines established in the 08-441 Docket.
2. Westar should be reminded that the Commission will determine whether the five-year budgets should be approved on a non-interim basis following EM&V evaluations.
3. Westar should be required to file for re-approval of its BOC Program and file its detailed budget for approval.
4. Westar should be required to submit a detailed budget for approval of the SimpleSavings Program.
5. The term of the SimpleSavings Program, upon approval, should be extended to January 2027. The Program should also be frozen meaning no new loans should be provided.
6. Westar should be required to request approval of the EE education programs budget.

**WHEREFORE**, Staff respectfully moves that the Commission issue an order adopting Staff's recommendations.

Respectfully submitted,



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For Commission Staff

STATE OF KANSAS            )  
  ) ss.  
COUNTY OF SHAWNEE    )

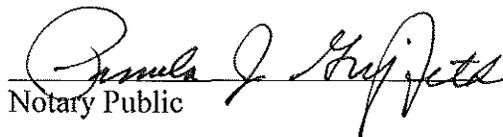
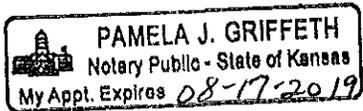
**VERIFICATION**

Michael Neeley, being duly sworn upon his oath deposes and states that he is Litigation Counsel for the State Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Notice of Filing of Staff's Report and Recommendation; Motion for Order* and that the statements contained therein are true and correct to the best of his knowledge, information and belief.



\_\_\_\_\_  
Michael Neeley # 25027  
Kansas Corporation Commission of the  
State of Kansas

Subscribed and sworn to before me this 2nd day of September, 2015.



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

My Appointment Expires: August 17, 2019

**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

**TO:** Chair Shari Feist Albrecht  
Commissioner Jay Scott Emler  
Commissioner Pat Apple

**FROM:** Jon Wilson, Research Economist  
Josh Frantz, Research Economist  
Lana Ellis, Deputy Chief of Economics and Rates  
Robert Glass, Chief of Economics and Rates  
Jeff McClanahan, Director of Utilities

**DATE:** September 1, 2015

**SUBJECT:** Docket No. 15-WSEE-532-MIS: *In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval of Interim Budgets for Energy Efficiency Programs.*

**EXECUTIVE SUMMARY:**

Westar has been ordered by the Commission to submit operating budgets and request interim approval for each of its Energy Efficiency (EE) programs pending Evaluation, Measurement, and Verification (EM&V). Staff has found that Westar has five EE programs in effect: Building Operator Certification (BOC) Program, SimpleSavings, WattSaver, Energy Efficiency Demand Response (EEDR), and Energy Efficiency Education. Westar submitted five-year budgets for three of its EE programs (WattSaver, EEDR, and Energy Efficiency Education) and requested interim approval for two of its EE programs (WattSaver and EEDR) in this Docket. In regards to the budgets that have already been submitted, Staff requests more detail than what has been provided, based upon the guidelines established in Docket 08-GIMX-441-GIV (08-441). Westar has not formally requested approval for the budget of its EE education programs. Westar has argued that the expired SimpleSavings and BOC Programs are no longer EE programs, but Staff disagrees. Staff recommends that the Commission require Westar to request approval and submit more detailed budgets that comply with the guidelines established in the 08-441 Docket for all five of its EE programs before granting approval for these budgets. Additionally, Staff recommends for the term of the SimpleSavings Program to be extended to January 1, 2027, and

for the Program to continue not accepting new participants. Lastly, Staff recommends that the Commission require Westar to submit a request for re-approval of the BOC Program.

## **BACKGROUND:**

### ***Westar's EE Program Budgets in 15-021***

On July 15, 2014, Westar filed for revisions to its Energy Efficiency (EE) Rider tariff in the 15-WSEE-021-TAR (15-021) Docket. The EE Rider is the mechanism used for cost recovery of Westar's EE programs.

On January 6, 2015, the Commission ordered Westar to submit new operating budgets for each of its EE programs by March 16, 2015. The Commission noted that the budgets should be submitted "in accordance with the guidelines established in Docket 08-GIMX-441-GIV." The Order also stated that Westar must seek approval of interim program budgets for those programs undergoing an evaluation process. Finally, the Commission also directed Westar to conduct EM&V on its SimpleSavings, WattSaver, and EEDR Programs.<sup>1</sup>

Westar filed its five-year budgets for the EEDR Program, the WattSaver Program, and its EE education programs in that Docket on March 16, 2015. Westar did not, however, file budgets for its SimpleSavings and BOC Programs.

### ***Westar's Refiling of EE Program Budgets in Docket 15-532***

Based on a conversation between Staff and Westar regarding Staff's interpretation of the 15-021 Order, Westar refiled its budgets along with an Application in a new Docket, 15-WSEE-532-MIS (15-532). Thus, the 15-532 Docket was opened so that Westar could seek approval of interim budgets for its EE programs while these programs were in the EM&V process. Westar also attached the same three five-year budgets that were filed in the 15-021 Docket to its Application in the 15-532 Docket.

### ***Commission Order of July 14, 2015, in Docket 15-021***

In its July 14, 2015, Order, the Commission noted that budgets had not been submitted for all of Westar's ongoing programs as ordered on January 6, 2015, and directed Westar to submit operating budgets for each of its EE programs for Commission approval by July 24, 2015.<sup>2</sup>

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<sup>1</sup> Order on Operating Budgets and EM&V Studies, Docket No. 15-WSEE-021-TAR, p. 4 January 6, 2015.

<sup>2</sup> Order Granting Westar's Motion for Approval of Third-Party to Conduct EM&V, Docket No. 15-WSEE-021-TAR, p. 5.

*Westar's Response to the Commission Order of July 14, 2015, in Docket 15-021*

Westar filed a Response to the July 14, 2015, Commission Order on July 22, 2015, claiming that the three programs for which it filed budgets are its only EE programs currently in effect. Therefore, Westar concluded “there are no additional programs for which Westar must file a budget in order to comply with the Commission order.”<sup>3</sup>

Westar explained why it believed two of its programs, the BOC Program and SimpleSavings Program, should not be included in its filing. It claimed the BOC Program is no longer an EE program because it has “shifted in nature” and also stated that the costs of the Program are not recovered through the EE Rider. Westar also stated it did not supply a budget for the SimpleSavings Program because it is no longer open to new customers and is, therefore, no longer in effect. Westar further argued that only a very minimal amount of SimpleSavings costs are recovered through the EE Rider.<sup>4</sup>

*CURB's Motion for Clarification in Docket 15-021*

On July 23, 2015, CURB filed a Motion requesting clarification of the following two issues in the Commission's January 6, 2015, Order:

(1) Did the Commission's January 6, 2015, Order Regarding Budgets/or Energy Efficiency Programs intend to require Westar to submit five-year operating budgets, in accordance with the guidelines established in Docket 08-GIMX-441-GIV, for Commission approval?

(2) Did the Commission's January 6, 2015, Order Regarding Budgets/or Energy Efficiency Programs intend to require Westar to petition for approval of interim program budgets during the pendency of the evaluation?<sup>5</sup>

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<sup>3</sup> Westar's Response to Commission Order Regarding Budgets for Energy Efficiency Programs, Docket No. 15-WSEE-021-TAR, p. 2.

<sup>4</sup> *Id.*, p. 2.

<sup>5</sup> CURB's Motion for Clarification, 15-021 Docket, p. 4.

(1) Did the Commission's January 6, 2015, Order Regarding Budgets/or Energy Efficiency Programs intend to require Westar to submit five-year operating budgets, in accordance with the guidelines established in Docket 08-GIMX-441-GIV, for Commission approval?

(2) Did the Commission's January 6, 2015, Order Regarding Budgets/or Energy Efficiency Programs intend to require Westar to petition for approval of interim program budgets during the pendency of the evaluation?

CURB's Motion for Clarification, 15-021 Docket, p. 4.

In regard to the issue of the 08-441 Docket's guidelines, CURB argued that Westar should include details such as start-up costs, administrative costs, and other costs in its proposed budgets as specified in 08-441. CURB requested a determination of whether or not its interpretation was correct. Regarding the second issue, CURB argued Westar did not file for interim approval of the budgets for all of its pertinent programs. CURB sought clarification on this issue, as well. If the answer to either of these issues is "no," CURB requested further Commission guidance on how to evaluate the costs in Docket 16-WSEE-021-TAR, Westar's current EE rider filing.

### *Staff's Response to Westar*

On August 3, 2015, Staff filed a Response disagreeing with Westar's contention that it does not need to submit budgets for the BOC Program (because the Program has shifted in nature and is not being recovered through the EE Rider) and its SimpleSavings Program (because the Program is, essentially, no longer active).

### *Westar's BOC Program*

In a data request response from Docket 15-WSEE-115-RTS, Westar stated that the scope of its BOC Program has not changed.<sup>6</sup> Based on the information provided, Staff understands that the Program has not changed and is still an EE education program. Westar also stated that the BOC Program is not being recovered through the EE Rider. It is important to note that an EE program is subject to the 08-441/08-442 requirements regardless of whether or not costs are recovered through the EE Rider.

### *Westar's SimpleSavings Program*

The SimpleSavings Program has offered loans to customers in need of efficiency improvements. Westar has stopped offering the SimpleSavings Program to customers who are not already on the Program. As a result, costs of the Program are minimal. Although SimpleSavings costs may be minimal and Westar may not be accepting new customers into the Program, Staff understands that there are additional program costs in addition to the \$200 registration fee identified by Westar. These costs total approximately \$550, not including the \$200 registration fee. Therefore, the SimpleSavings Program still exists and is subject to the established requirements for EE budgets.

### *Staff's Response to CURB*

In Staff's same Response, Staff explained that it shares CURB's interpretations in regard to both requirements of the Commission's January 6, 2015, Order. First, Staff agrees that Westar

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<sup>6</sup> DR Response from Docket 15-WSEE-115-RTS, KCC-097.

must submit operating budgets per the 08-441 Docket guidelines, as directed by the Commission. Second, Westar is required to petition for interim approval of its operating budgets for each of its EE programs undergoing EM&V during the evaluation period. Based on the EM&V study results, the Commission will determine whether Westar’s five-year budgets for those programs should be approved on a non-interim basis. However, Staff disagreed with CURB that budgets were not required for the BOC and SimpleSavings. Therefore, Staff recommended Westar be required to submit budgets for the BOC and SimpleSavings Programs in addition to the three budgets submitted.

**ANALYSIS:**

In its May 7, 2015, Application in this Docket, Westar submitted budgets for three of its EE programs and petitioned for interim approval of its EEDR and Wattsaver budgets while evaluation of the programs is ongoing. The following table depicts the five-year budgets provided by Westar:

**Westar Energy Efficiency Programs**

<b>PROGRAM</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>EEDR</b>	\$3,840,000	\$3,840,000	\$3,840,000	\$3,840,000	\$3,840,000
<b>WattSaver</b>	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
<b>Energy Efficiency Education</b>	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
<b>TOTAL BUDGET</b>	\$5,400,000	\$5,400,000	\$5,400,000	\$5,400,000	\$5,400,000

Westar did request interim approval of the budgets for WattSaver and EEDR while the programs undergo EM&V, as directed by the Commission. However, Westar did not request approval for its EE education programs budget, which has also expired. Staff understands that Westar does not need to seek interim approval of its EE education programs, since they are not subject to EM&V. However, Staff recommends Westar be required to apply for approval of the programs’ budget, since their budget has expired. In addition, the budgets of the BOC and SimpleSavings Programs, as well as the Programs themselves, have expired. Westar did not submit the budgets for, or request approval of, these two programs. The BOC Program expired June 15, 2014, and SimpleSavings expired January 31, 2015. Further, Westar assumes approval of its budgets will no longer be necessary once EM&V is completed and intends to proceed with the operation of its WattSaver and EEDR programs as previously approved, without requesting additional approval based on the EM&V results.<sup>7</sup> The budgets Westar submitted lack sufficient

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<sup>7</sup> Docket No. 15-WSEE-532-MIS, paragraph 6 states: “Once Westar completes the EM&V process for these two programs, this interim approval of the budgets will no longer be necessary and Westar will proceed with the operation of its WattSaver Program and EEDR Program as previously approved by the Commission.”

detail for the Commission to make a determination whether interim approval should be granted. The 08-441 Docket guidelines required submitted budgets to contain the following information:

**Program Budget (5-Year)**

- A. Start-up Cost
- B. Administrative Cost
- C. Incentives (if any)
- D. Marketing
- E. Evaluation<sup>8</sup>

Westar's submitted budgets did not contain any breakdown of costs specifically related to the items required in the 08-441 Docket. The information was merely a lump sum for three of its five EE Programs. The lump sum costs do not provide enough detail for Staff to adequately evaluate how money would be spent under each Program. Furthermore, as discussed above and explained below, Westar must submit budgets for two additional programs that were omitted from its initial filing, as required by the July 14, 2015, Order in Docket 15-021. (Staff is aware start-up costs will not apply to Westar's currently effective EE Programs and would not be required in a budget for a Program already in existence.)

Once the detailed budgets are submitted, the Commission will be able to determine whether to grant interim approval, pending the EM&V. But, approval of interim budgets *will not* guarantee approval on a non-interim basis. Depending on the results of the EM&V, the Commission will determine whether Westar's five-year budgets should be approved on a non-interim basis.

As discussed in Staff's response to Westar and CURB in Docket 15-021, Staff maintains that the scope of the BOC Program has not changed and is still an EE education program. Therefore, Westar must file program budgets that adhere to the guidelines established in the 08-441 Docket. Westar's distinction about whether costs are recovered through its EE Rider is not relevant. The relevant factor is whether a program is an approved EE program and, therefore, subject to the 08-441/08-442 requirements.

Likewise, Staff recommends Westar be required to submit a budget for SimpleSavings even though SimpleSavings costs may be minimal at this time and Westar may not be accepting new customers into the Program. Staff understands that there are approximately \$550 of administrative costs still being incurred in addition to the \$200 registration fee identified by Westar in its Response. Therefore, the SimpleSavings Program still exists and is subject to the

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<sup>8</sup> Final Order, Docket No. 08-GIMX-441-GIV, Appendix A (Nov. 14, 2008).

requirements established for EE programs. Further, Westar was ordered to submit a budget and conduct EM&V for SimpleSavings in Docket 15-WSEE-021-TAR.<sup>9</sup>

In its Order Approving Partnership on January 31, 2011, the Commission directed Staff to open an investigation and file a report at the beginning of the fourth year of the SimpleSavings Program.<sup>10</sup> The investigation would allow the Commission to determine whether the partnership between the Efficiency Kansas and SimpleSavings Programs should be made permanent. Funding for the SimpleSavings Program was reallocated to other programs in 2011, ensuring that the partnership would not be made permanent, and a full investigation is no longer needed. Staff only needs to investigate the EM&V results of the Program. Staff and Westar are currently working together to perform EM&V.

The SimpleSavings Program has expired, although it is still operating in a limited sense. Westar has stopped offering new loans to customers who are not already on the Program. However, Westar continues servicing loans the company made to its customers. As a result, Staff is not clear on the current status of the Program. Because loans are still being serviced for the Program's current customers, Staff recommends the Commission extend the SimpleSavings Program to January 1, 2027<sup>11</sup>, and that the Program be frozen. While the Program would remain closed to new customers, this allows for the Program to remain in effect, while providing enough time for the loans to be serviced for existing customers. Staff recommends extension of the Program regardless of the results of the EM&V.

**RECOMMENDATION:**

Before granting interim approval, Staff recommends the Commission require Westar to submit more detailed budgets that comply with the guidelines established in the 08-441 Docket. Further, Staff recommends the Commission reiterate that it will determine whether Westar's five-year budgets should be approved on a non-interim basis following EM&V evaluations. Staff recommends the Commission direct Westar to file for re-approval of its BOC Program and to file its detailed budget for approval. Staff recommends that Westar submit a detailed budget for approval of the SimpleSavings Program. Staff also recommends, upon approval, that the term of the SimpleSavings Program be extended to January 1, 2027, and that the Program be frozen. Lastly, Staff recommends the Commission direct Westar to request approval for the EE education programs budget.

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<sup>9</sup> Docket No. 15-WSEE-021-TAR, Jan. 6, 2015, p. 4.

<sup>10</sup> Order Approving Partnership between Efficiency Kansas and Westar's SimpleSavings Program, Jan. 31, 2011, Docket No. 10-WSEE-775-TAR, p. 20.

<sup>11</sup>The last loans were given in late 2011. Generally, these loans were 15 years in length. Extending the Program to Jan. 1, 2027, would allow for each loan to be serviced through the life of the loan.

## CERTIFICATE OF SERVICE

15-WSEE-532-MIS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation; Motion for Order was served by electronic service on this 2nd day of September, 2015, to the following:

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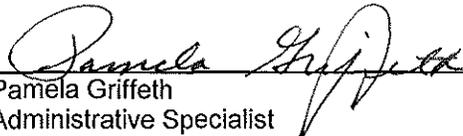
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