

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Complaint of Kansas Gas)
Service, a Division of ONE Gas, Inc.,)
Against Westar Energy, Inc. Regarding) Docket No. 19-KGSG-061-COM
Westar's Practice of Offering Payments to)
Developers in Exchange for the Developers)
Designing All Electric Subdivisions)

ANSWER OF WESTAR ENERGY, INC.

Westar Energy, Inc. ("Westar") submits the following Answer to the Complaint filed by Kansas Gas Service, a Division of ONE Gas, Inc. ("KGAS").

1. On or about August 7, 2018, KGAS filed its Complaint in this matter. Westar was served with the Complaint on September 17, 2018.

2. KGAS makes various allegations regarding Westar's Total Electric Subdivision Heat Pump Program (the "Heat Pump program") and contends that Westar's Heat Pump program is contrary to the public interest. Westar responds specifically to many of KGAS's allegations below; however, to the extent Westar does not specifically address an allegation made in the Complaint, those allegations are denied.

I. Westar's Heat Pump Program

3. With respect to its Heat Pump program, Westar affirmatively states as follows:

4. Westar does have a Heat Pump program for developers who choose to construct total electric homes in a subdivision. Such developers sign a "Letter of Intent" indicating that they intend to build all buildings within the subdivision as total electric with a full heat pump split system as the primary heating source. This Letter of Intent is not a contract and can be terminated by the developer at any time. The Letter of Intent indicates that Westar will provide the developer with cash rebates for each building once a full heat pump system and permanent residential meter

have been set. The amount of the rebate is determined by the type of building (i.e., single family, duplex, triplex, quad, or greater than quad) and the type of heat pump installed. The Letter of Intent does not prohibit the installation of natural gas lines in the subdivision.

5. The Heat Pump program does not result in “fuel switching” because it is available for new construction only.

6. Ultimately, it is the residential customer’s choice regarding whether to purchase or rent a home located in an all-electric subdivision or not.

7. No tariff or Commission-approved rate is required for the Heat Pump program because the program does not involve a rate being charged to customers who purchase electricity from Westar. The developers who receive rebates through the Heat Pump program are not receiving those rebates in connection with electric service being purchased from Westar. Instead, Westar provides rebates to the developers through the Heat Pump program in order to help balance out load for its power plants on a seasonal and daily basis, as is discussed further below.

8. Westar’s Heat Pump program has been in place since before 2011. Westar believes that Commission Staff has generally been aware of it since that time given past involvement in the Commission’s generic fuel switching docket as well as communications with KGAS on the issue. The costs associated with the program have been included as expenses in three of Westar’s general rate cases – one filed in August 2011 (Docket No. 12-WSEE-112-RTS), one filed in July 2014 (15-WSEE-115-RTS), and the most recent case filed in February 2018 (18-WSEE-328-RTS) – since that time. Westar’s rates established by the Commission in each case were determined to be just and reasonable.

9. In the generic docket where the Commission considered the development of a policy regarding incentives for fuel-switching and end-use applications, Docket No. 09-GIMX-

160-GIV, after extensive pleadings filed by KGAS – pleadings where KGAS identified and complained about Westar’s Heat Pump program¹ – the Commission specifically chose to limit its findings to establish a policy regarding fuel switching as an energy efficiency program.² The Commission did not set – and has not set in any other proceeding – any policy or make any decision regarding fuel switching in a more general context.³

10. In a Report and Recommendation filed by Staff in the generic fuel-switching docket, Staff stated that “there is nothing that impedes utilities from promoting their product through non-tariffed activities, and it is unlikely the Commission could enact a policy against this type of promotion due to it likely overreaching into areas of utility management.”⁴

II. Response to Specific Allegations

11. With respect to the allegations made in the KGAS Complaint, paragraph 1:
- a. Westar denies that it is a requirement of the Heat Pump program for developers not to install or allow the installation of natural gas facilities during the development and building of the subdivision.
 - b. Westar agrees that the Heat Pump program is not contained in its “Policy for Residential Subdivisions” tariff but disagrees that the program is required to be included in a tariff or that the program requires Commission approval.
 - c. Westar has not violated K.S.A. 66-101c. That statute requires Westar to file all rates pertaining to jurisdictional services with the Commission. The Heat Pump

¹ Joint Response of Kansas Gas Service and Atmos Energy to the Staff Report and Recommendation Filed April 13, 2009, generic fuel-switching docket, ¶¶ 3 and 9 (May 29, 2009) (“KGAS Joint Response in generic fuel-switching docket”).

² Order to Close Docket, Docket No. 09-GIMX-160-GIV (February 15, 2012) (“generic fuel-switching docket”).

³ *Id.*

⁴ Staff Report and Recommendation, generic fuel-switching docket (Sept. 8, 2011).

program is not a rate being charged for electric service and is therefore not required to be filed with the Commission under K.S.A. 66-101c.

d. Westar does not agree that the Heat Pump program is contrary to the public interest, as is discussed below.

12. With respect to the allegations made in Paragraph 2 of the Complaint:

a. Westar does not agree that its Heat Pump program negatively impacts Kansas citizens or that it eliminates choice for Kansas citizens. Ultimately, it is the residential customer's choice regarding whether to purchase or rent a home located in an all-electric subdivision or not.

13. With respect to the allegations made in Paragraph 4 of the Complaint:

a. Westar disagrees that it was required to obtain approval of the Heat Pump program from the Commission. Additionally, as indicated above, Westar's expenses, including those expenses related to the Heat Pump program, were included in rates in at least three general rate cases and rates set in those proceedings were found to be just and reasonable. Westar believes that the Commission and its Staff have generally been aware of Westar's Heat Pump program since before 2011, in part as a result of filings made by KGAS in the generic fuel-switching docket.

14. With respect to the allegations made in Paragraph 6 of the Complaint:

a. Westar does not agree that the Commission's investigation into Kansas City Power & Light Company's ("KCP&L") all electric rates, Docket No. 16-GIME-576-GIE (the "576 Docket"), is relevant to KGAS's Complaint. The 576 Docket was opened in order for the Commission to "conduct an evaluation

of KCP&L's all electric rate structure.”⁵ After receiving comments from various parties including Staff, Citizens’ Utility Ratepayer Board (“CURB”), KCP&L and the gas companies (including KGAS), the Commission issued an Order indicating that it had accomplished its intent of gathering information about the issue and closing the docket.⁶ The Commission did not make any substantive findings in this docket regarding all-electric subdivisions or regarding KCP&L’s all-electric rates.

- b. Additionally, the 576 Docket, which addressed all-electric rates, is not relevant to Westar because Westar does not have an all-electric rate and KGAS’s Complaint does not make allegations regarding an all-electric rate.

III. The Heat Pump Program is in the Public Interest

15. The Heat Pump program promotes the public interest. The Heat Pump program was developed to help balance out the load for Westar’s power plants on a seasonal and daily basis. Westar’s system has a high demand during the peak summer months and a low demand during the off-peak months. There is also a noticeable daily demand swing; the peak occurs as people come home in the late afternoon. The Heat Pump program was developed to help balance out seasonal loads and day-to-day loads. The more heat pumps that are operating in the non-peak months, the better the seasonal load balance. Additionally, electric water heaters can also help balance out the daily load by operating occasionally throughout the day. By better balancing out the load, Westar makes better use of its investments in power plants and the transmission system by spreading out

⁵ Order Opening General Investigation, *In the Matter of a General Investigation of Kansas City Power & Light Company’s All-Electric Residential Rates*, Docket No. 16-GIME-576-GIE, ¶ 3 (June 21, 2016).

⁶ Order Closing Docket, *In the Matter of a General Investigation of Kansas City Power & Light Company’s All-Electric Residential Rates*, Docket No. 16-GIME-576-GIE, ¶ 5 (Dec. 19, 2017).

the costs over more operating hours. This helps to reduce costs for all of Westar's customers. Further, by improving the operating characteristics of Westar's plants, the program is an investment in providing efficient service at just and reasonable rates.

16. Contrary to KGAS's suggestion in the Complaint that Westar's Heat Pump program is inconsistent with the public interest because it is unfair for Westar to promote use of electricity as opposed to natural gas, KGAS argued extensively in the generic fuel-switching docket that "it would be appropriate for the Commission to consider a fuel-switching policy that supports greater direct use of natural gas."⁷

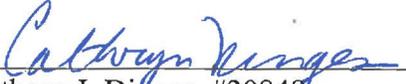
IV. Conclusion

17. In conclusion, Westar has not violated any statute, regulation, or Commission policy and KGAS has not established that Westar's Heat Pump program is not in the public interest. As a result, Westar requests that the Commission deny the requests made in the KGAS Complaint.

WHEREFORE, having fully answered, Westar Energy respectfully requests that the Commission deny the Complaint and for such other and further relief as may be appropriate.

Respectfully submitted,

WESTAR ENERGY, INC.


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⁷ KGAS Joint Response in generic fuel-switching docket, ¶ 19.

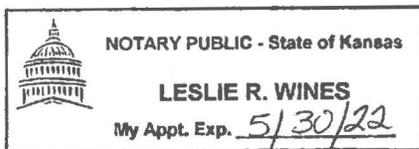
VERIFICATION

STATE OF KANSAS)
)
COUNTY OF SHAWNEE) ss:

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

Cathryn Dinges
Cathryn J. Dinges

SUBSCRIBED AND SWORN to before me this 27th day of September, 2018.



Leslie R. Wines
Notary Public

My Appointment Expires May 30, 2022

CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of September, 2018, the foregoing Answer was electronically served on all parties of record.

Cathryn Dinges
Cathryn J. Dinges