CURB: THE CITIZENS' UTILITY RATEPAYER BOARD OF THE STATE OF KANSAS

CURBside News

NEWS FROM THE WATCHDOG FOR RESIDENTIAL AND SMALL COMMERCIAL CONSUMERS OF UTILITIES JAN. 2011

KCPL awarded $21.8 million rate increase in final rate case under regulatory plan

On November 22, 2010, the KCC awarded Kansas City Power & Light Company (KCPL) a $21.8 million rate increase in its fourth and final rate case contemplated under the regulatory plan approved by the Commission in 2005. The $21.8 million rate increase was less than 40% of the $55.2 million increase requested in the company's original application.

In awarding the $21.8 million rate increase, the Commission completely disregarded the testimony offered by its own Staff that KCPL was significantly imprudent in managing expenditures for building the Iatan 2 coal plant. Staff recommended a $230 million reduction in the company's rate base. In fact, the only imprudence adjustment imposed by the Commission for Iatan 2 was a $20.5 million adjustment—which KCPL's own expert witness admitted was justified by the company's imprudence.

Including its prudence disallowance, the Commission Staff

(See, **KCPL rate increase,** *P. 2)*

KCC rejects Suburban Water settlement; orders new rate case filed

The Kansas Corporation Commission has rejected a unanimous settlement reached in Suburban Water's recent request to pass through increases in its cost of water through a purchased water adjustment.

Suburban Water is a small, privately-owned supplier of water to suburban residents of Leavenworth County. Suburban has a few of its own wells, but increasingly, its water supply is purchased from the Board of Public Utilities in Wyandotte County.

The company's most recent contract with BPU provided for four annual increases from 2010 through 2013, and it had sought permission from the Commission to pass those increases through to customers via a purchased water adjustment—which would resemble a fuel charge or gas cost surcharge.

CURB joined the Commission Staff in crafting a settlement with Suburban, not

(See **Suburban rate case**, *P .6)*

MKEC files rate case for Wheatland customers

Mid-Kansas Electric Company, LLC (MKEC) filed a request to increase rates by $4,264,081 on December 14, 2010, for customers in the certificated territory serviced by Wheatland Electric.

MKEC, through Wheatland, provides service to about 55,000 customers in Great Bend and south central Kansas.

MKEC seeks implementation of a divisional rate for the geographical area served by Wheatland that will be similar to the divisional rates implemented for the five other MKEC member utilities in *KCC Docket No. 09-MKEE-969-RTS*, but based on the specific cost of service rendered by MKEC to Wheatland.

The $4.3 million rate increase, if granted, would result in an overall rate increase of 19.5%. However, the Company requests that the rate increase be phased in over two years, with a 10.87% increase implemented in year one, and an incremental increase of 7.72% in year two. MKEC is also requesting to

(See **MKEC rate case**, *P.3)*

KCPL rate increase

(Continued from P. 1)

recommended a rate <u>decrease</u> of over $7.3 million. Thus, the Commission's decision to disregard the imprudence evidence offered by its own Staff significantly increased KCPL rates.

The Commission awarded KCPL's shareholders a 10% return on equity (ROE, or profit), substantially less than the 11.25% ROE originally requested by KCPL in its application, or the 10.75% ROE KCPL proposed in rebuttal testimony. However, the 10% ROE awarded by the Commission was still higher than the 9.39% ROE that CURB had recommended.

CURB was also particularly disappointed that the Commission granted KCPL's request to reduce the $77 million prepayment on plant benefit that ratepayers will receive over the life of the Iatan plant by $28.4 million in accumulated deferred income taxes (ADIT). A written description provided by KCPL in the last rate case showing how the prepayment would be paid back to ratepayers did not even mention offsetting the prepayment by ADIT, yet the company sought to have the benefit reduced by this amount. Unfortunately, the Commission granted the company's request.

The Commission also accepted Staff's recommendation (supported by CURB) to decrease the Company's claim for depreciation expense by $12.7 million annually.

The $21.8 million rate increase awarded by the Commission also reflected the following decisions in the KCC order:

(1) The Commission denied KCPL's request for an environmental cost recovery rider.

(2) The Commission disallowed recovery for some of the incentive compensation packages for executives: CURB had recommended disallowance of all of them.

(3) The Commission awarded KCPL $5.6 million in rate case expense. KCPL originally requested $2 million in rate case expense, but in a supplemental request, rate case expense ballooned to over $8.3 million.

(4) The Commission denied the parties' request for an abbreviated rate case to true-up the budgeted numbers used in this rate case.

(5) The Commission denied KCPL's request to change the way off-system sales are allocated.

(6) The Commission approved the adjustments of Staff and CURB to remove the cost of KCPL's parent company's equity-linked convertible-debt units from the utility's capital structure.

(7) The KCC adopted the property tax expense treatment recommended by CURB and Staff.

(8) The KCC denied CURB's recommendation to amortize (credit to ratepayers) $37 million in SO_2 allowances over ten years, instead approving amortization over 22 years as the company proposed.

(9) The Commission denied KCPL's request to modify its current tracking mechanisms for pension benefits and to implement a tracking mechanism for other post employment benefit (OPEB) expense that differed significantly from the trackers the KCC recently approved for other utilities.

Regarding KCPL's rate design, the Commission concluded that KCPL's current rate structure must be redesigned, and ordered a separate rate design docket to be opened to allow consideration of issues raised by CURB, Staff, and other intervenors. Until a rate design is approved in the new docket, the Commission approved using KCPL's alternative rate design proposal, which decreased but did not eliminate the subsidies to space- and water-heating customer classes, subsidies that CURB, Staff, and other intervenors had sought to eliminate or decrease.

On December 7, 2010, CURB, Staff, KCPL, Sprint and the Hospital Intervenors filed petitions for reconsideration. On January 6, 2011, the Commission issued an order denying nearly all requests for reconsideration. It appears likely that appeals will be filed shortly.

KCC Docket No. 10-KCPE-415-RTS

Call **211**
for information about obtaining assistance with utility bills from agencies and programs associated with the United Way in Kansas.

MKEC rate case

(Continued from P. 1)

modify the existing rate design for Wheatland customers based upon a class cost of service study filed with the application.

A scheduling conference was held on January 4, 2011, but a scheduling order has not yet been issued. It is anticipated that public hearings will be scheduled in early March in Kingman and video broadcast to locations in Great Bend and Anthony.

The public will be allowed to testify at the public hearings, and will also be allowed to submit written comments through a date that will be specified in the scheduling order.—usually a few days before the evidentiary hearing. Written comments may be submitted by email to public.affairs@kcc.ks.gov and by mail to the Kansas Corporation Commission Office of Public Affairs and Consumer Protection, 1500 Arrowhead Road, Topeka, KS 66604. Customers can also call this office at 800-662-0027.

CURB and its consultant are reviewing the application and will be requesting information from MKEC and Wheatland in the discovery phase of the docket. It is anticipated that parties will pre-file testimony in May and the evidentiary hearing will be held in June.

The Commission's order on MKEC's application is required by law to be issued by August 11, 2011.

KCC Docket No. 11-MKEE-439-RTS

Depreciation comments filed

Finally, several parties have filed comments and replies in the Commission's investigation into depreciation issues, a docket that was opened in 2008. The Commission Staff had recommended opening a docket to review Commission policies and practices concerning depreciation in light of a recent court decision and changes in federal policies that appear to conflict with current Commission practices and policies.

In particular, the Commission was responding to a decision of the Kansas Court of Appeals (in an appeal brought by CURB) that overruled the KCC's longtime practice of allowing utilities to include the costs of removing retired utility plants in depreciation rates, even if the utility has no concrete plans in place to dismantle and remove the facility.

Other recent debates over the impact of federal accounting rules on depreciation rates prompted the need for a review. The Commission left it open for the parties to raise issues beyond the specific questions the Commission wanted them to address.

Unfortunately, the progress of the docket has been slow. Several extensions of the deadline to file have been granted as other higher-priority dockets commanded attention. The Commission finally set a firm deadline for comments in December.

CURB engaged nationally-known depreciation expert, Michael Majoros to assist us with our comments. Majoros was instrumental in helping CURB prevail at the Kansas Court of Appeals in its efforts to oppose the practice of including removal costs in rates for plants that aren't slated for removal. Removing such costs from rates saves ratepayers millions each year.

Majoros was also CURB's consultant in the landmark decision of the Commission in 2001 to require Westar Energy to spread out depreciation rates for the Wolf Creek nuclear power plant over the probable life of the plant, rather than over the term of its then-current operating permit, which also saves Westar customers millions of dollars each year. Majoros has also been a strong proponent of putting safeguards in place that ensure that ratepayers' contributions to depreciation accounts will be properly credited to ratepayers if a utility is sold or deregulated.

Although several of the utilities have suggested that the Commission should schedule an evidentiary hearing in this docket, CURB and the Commission Staff agree that the policy issues presented in this docket don't lend themselves well to resolution through litigation. We expect that the Commission will issue another procedural order soon that will dictate the course of the rest of the docket.

KCC Docket No. 08-GIMX-1142-GIV

KCPL withdraws EE proposal

It's déjà vu all over again, as yet another utility has withdrawn its application to implement a portfolio of energy-efficiency programs. As Kansas Gas Service and Black Hills Energy did earlier last year, Kansas City Power & Light has requested and received permission from the Commission to withdraw its application.

KCPL was facing intense opposition to its cost-recovery proposal and its request to "share the savings" achieved by the programs with its share-holders, especially given the high costs. KCPL had request-ed contemporaneous recovery of projected costs of the programs—$43million over five years—and also wanted 50% of the value of the energy savings achieved by customers availing themselves of the programs—roughly $50 million over seven years. The shared savings were also proposed to be based on projected numbers and provided on a contemporaneous basis. In other words, KCPL was asking for recovery based on its own estimates of how the programs would perform in the future—and wanted nothing less than approval of 100% of its proposals.

Needless to say, CURB opposed the cost recovery and shared savings proposals, which were poorly designed and far too expensive. The Commis-sion's Staff also offered criti-cism of these proposals, as did the Climate and Energy Project.

Kansas Gas Service and Atmos Energy did not oppose the cost recovery proposal or the shared savings proposal, but they didn't like some of KCPL's programs because they would have encouraged custom-ers to switch from natural gas to electricity for space and water heating.

Efforts to reach agreement on the proposals reached an impasse, and the parties unanimously moved the Commission to extend the procedural schedule. The KCC gave the parties an extra 21 days, rather than the 90 days requested.

KCPL then offered an amended application that eliminated the programs that the natural gas utilities had opposed, but refused to modify its proposals for cost recovery and shared savings. The company requested that the KCC either allow KCPL to substitute the amended application or allow the company to withdraw the original application.

Noting the objections of the parties to an amendment to the application just a couple of weeks before the evidentiary hearing, the Commission denied KCPL the right to amend its application but granted its motion to withdraw the original application.

The Commission's refusal to extend the schedule to allow further negotiations was apparently tied to its desire to add KCPL as a provider of the Commission's Efficiency Kansas loan program prior to an upcoming review of the loan program's performance. Efficiency Kansas has had lackluster participation, and the Commission's Energy Office had high hopes that promotion of the program through partner utilities would increase participants. Because the federal funds that are funding the program must be expended by April 2012 or returned to the federal government, the Energy Office has developed contingency programs that will replace Efficiency Kansas if the legislative review determines that Efficiency Kansas is unlikely to achieve its goal of loaning out all of its funds by the deadline.

Adding a couple of major utilities would have likely boosted participation, but it is unclear as yet whether the increase would be sufficient to ensure the program's success. Westar's proposal to become an Efficiency Kansas partner is pending before the Commission, but no other major utility has made the commitment as yet.

KCC Docket No.10- KCPE-795-TAR

Harkins retires

Joe Harkins, KCC Commissioner, retired in Dec-ember from his long career in public service in Kansas. In recent years, he was a special energy adviser to Governor Kathleen Sebelius from 2003 to 2006. Then, Harkins moved over to the Kansas Corporation

Commission in 2006 to head up the state Energy Office, and was appointed to serve on the Commission by Governor Sebelius in July 2007.

He had previously served in leadership capacities at the Kansas Water Office, the Kansas Department of Health and Environment, and the KU Public Management Center.

Harkins will be remembered at the KCC for his enthusiasm for developing policies that are supportive of energy-efficiency programs, as well as his commitment to fostering development of greener energy resources for Kansas utilities. He was instrumental in the creation of the Efficiency Kansas loan program and in the Commission's policy to support designing utility rates to encourage more efficient use of energy resources.

The staff of CURB wishes Joe a long and enjoyable retirement.

Westar, industrials agree on rate plan

Westar Energy and the Kansas Industrial Consumers, a consortium of high-load factor customers of Westar, have reached an agreement on a plan to consolidate the rates of Westar's north and south territories. On December 17, the KCC approved the agreement.

KIC had not been happy with the results of the KCC's approval of rate consolidation, which called for a phase-in of the differences between the territories' high-load factor rates over a three-year period. Most of KIC members are customers in the north territory and will experience significant increases as a result of consolidation, unlike residential customers, whose rates were almost identical and saw negligible shifts when their rates were consolidated.

The agreement calls for a four-year phase-in, which will allow for a more gradual shift in the industrial customers' rates. In return, KIC has agreed to forego its right to appeal.

KCC Docket No. 10-WSEE-358-GIE

Westar seeks OK to use RECs to meet RPS

Westar Energy has applied to the KCC for permission to use renewable energy credits (RECs) to meet Kansas' renewable portfolio standard (RPS) for the years 2011 and 2012. The RPS requires electric utilities in the state to include a certain percentage of renewable energy in their generation mix. For the years 2011 and 2012, the standard calls for 10% of the utility's peak demand to be from renewable sources. Utilities are permitted to use renewable energy credits to meet a portion of the requirements for 2011, and for other years at the discretion of the Commission.

Renewable energy credits, or RECs, are tradable commodities that are, in essence, certificates that warranty that the utility has generated or purchased a specified amount of renewable energy. A utility that generates more renewable energy than it needs to satisfy state RPS standards, or that operates in a state without RPS standards, can sell RECs to other utilities that need more renewable energy in their portfolios, but find it more economical to purchase RECs than to generate or purchase renewable energy.

Westar has retained its RECs and now wants to use them to satisfy part of its near-term RPS requirements. Since 2008, Westar has accumulated RECs through the operation of its wind farms and its purchases of wind energy. The company anticipates that wind projects currently planned for construction will help Westar meet RPS requirements in later years, but says that it does not currently generate or purchase enough renewable energy to meet the current standards.

Although the RPS statute calls for penalties if a utility fails to meet the standards, the statute also permits the Commission to waive the penalty if the utility has made a "good faith effort to comply." Westar has requested a waiver. The company says that it has several projects underway that will enable it to meet the standards in later years, and that it should be allowed to use the credits for the renewable energy it generated before the RPS standards were imposed in the interim.

CURB has intervened and is analyzing the application.

KCC Docket No. 11-WSEE-438-MIS

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Suburban rate case

(*Continued from P. 1*)

because CURB likes cost adjustments, but because Suburban is so small (it has only one full-time employee) that its costs of coming in for rate cases to implement price increases is such a big part of its total bud-get that the cost adjustment just made better economic sense. The regulatory costs of preparing annual rate cases would have pushed customers' water bills even higher. To apply for a $40,000 increase, Suburban must spend about half that much to prepare and present the necessary documentary evidence for a full rate case filing.

CURB agreed with Suburban that it simply makes no economic sense to swell a $40,000 annual increase into a $60,000 increase just to cover the company's regulatory costs of a rate case. Given that the cost adjustment would pass through increases that are scheduled under the terms of the contract, and would not include other cost increases that the company might experience, CURB believed the adjustment clause was a reasonable way of dealing with this series of annual increases.

In the spirit of compromise, Suburban withdrew a request for additional funds to install new meters that could be read from a truck driving down the road—a proposed expenditure that CURB deemed as simply too expensive for such a small company to make—at least at this time.

On November 3, 2010, the Commission, in an unprecedented decision, rejected the unanimous settlement of the parties and ordered Suburban to file an abbreviated rate case, along with proof that it is actively pursuing alternative sources of water other than BPU.

The Commission also expressed concern that the increases imposed on Suburban by BPU include a charge for "payment-in-lieu-of-taxes", and questioned whether the Unified Government of Wyandotte County, which owns BPU and imposes the PILOT fee on all utility bills in the county, had jurisdiction to impose this fee on customers outside Wyandotte County.

Another concern of the Commission is that Suburban's customers are bearing the cost of providing free water to local governments for fire fighting and flushing public sewers. The Commission found it is unreasonable for customers to be bearing these costs.

The Commission also expressed concern that permitting Suburban to pass along BPU increases to its customers through a purchased water adjustment would be surrendering its jurisdiction to determine the reasonableness of rates to the BPU, which has no jurisdiction over Suburban Water.

In response to the Commission's order, Suburban filed its new rate increase request on December 16, 2010. In its rate increase request, Suburban is seeking an increase of $44,913, which, for the average residential customer, would be about $2.65 per month. The company also provided the Commission further information about its efforts to acquire alternative water supplies.

A meeting for customers hearing has been scheduled for 7:00 p.m. on January 26, 2011, at the company's offices at 1216 N 155th Street in Basehor. Representatives of Suburban Water will discuss the company's request with customers. For those of you who cannot attend the meeting, you can make comments to the KCC. Comments should refer to: KCC Docket No. 11-SUBW-448-RTS. Comments by email should be send to: public.affairs@kcc.ks.gov Comments by U.S. mail: Kansas Corporation Commission Office of Public Affairs and Consumer Protection, 1500 SW Arrowhead Road, Topeka, Kansas 66604, or call 800-662-0027 toll-free, or 271-3140 in Topeka.

KCC Docket No. 11-SUBW-448-RTS

Westar seeks approval to buy more wind

Westar has filed an application with the Commission seeking approval to purchase an additional 369 megawatts of wind energy. Approval will mean that Westar will be allowed to recover the cost of this wind from its customers

In 2009, the legislature adopted a Renewable Energy Standards Act (RES). The RES requires utilities to generate electricity from renewable resources equal to 10% of peak capacity through 2015, 15% of peak capacity from 2016 to 2019 and 20% for 2020 and thereafter. Bottom line, since it's the most economic renewable resource available, the utilities have to add wind power to the system to meet this mandate. Westar estimates it will need to add 1000 megawatts of total renewable generation by 2020 to meet the 20% RES.

Westar has already added 295 megawatts of wind from three separate wind farms. It owns half of that wind outright and buys the other half through a purchase contract. The cost of what it owns is in your rates. The cost of the half it buys on contract is in the Retail Energy Cost Adjustment (RECA) on your bill. Since the proposed new wind is also through purchased power contracts, the cost of the contract will also show up in your monthly RECA. Westar estimates the new wind purchase will have a direct cost in the $48 million per year range.

CURB's consultants are evaluating the filing and we will decide whether to support this purchase at a later time. The Commission is seeking public comments and has scheduled a public hearing in Topeka, Wichita and Salina on February 1, 2011. If approved, the 369 megawatts of wind should be built and operational by 2012.

KCC Docket No. 11-WSEE-377-PRE

CURB awaits ruling on Westar's Simple Savings program

In June, Westar Energy filed a proposal to become a partner in Efficiency Kansas, the state-run loan program for energy-efficiency improvements to homes in Kansas.

Efficiency Kansas is funded with $37 million through the American Recovery and Reinvestment Act (ARRA). Customers may obtain low-cost loans for energy-efficiency improvements to their homes, and then repay the loans through their utility bills.

As a partner, Westar would handle applications for Efficiency Kansas loans, determine the credit-worthiness of applicants and administer the program, which is called the Simple Savings program.

In addition, Westar requested that customers reimburse the company for reduced energy sales as a result of their increased energy efficiency, a proposal similar to that proposed (and later withdrawn) by KCPL. (See ***KCPL withdraws EE proposal***, elsewhere in this issue.)

CURB filed testimony in October 2010 offering cautious support of Westar's proposal to become an Efficiency Kansas partner utility, but rejected Westar's request to receive reimbursement for lost energy sales attributed to its customers' increased energy efficiency.

(See **Simple Savings**, P. 8)

Simple Savings

(Continued from P. 7)

The KCC Staff also filed testimony in October recommending approval of Westar's proposed partnership with Efficiency Kansas and its request to recover the revenues that are lost as a result of this program.

The KCC held an evidentiary hearing on November 22, 2010. During the hearing, CURB argued that Westar's request to be reimbursed for lost sales attributed to energy-efficiency programs was inconsistent with the Commission's guidelines for energy-efficiency programs.

Additionally, CURB argued that the revenues Westar may lose from its partnership with Efficiency Kansas – estimated by Staff to be no more than $6,000 a year – will not be significant enough to impact Westar's bottom line. CURB's view is that any negative impact on revenues should be addressed in rate case dockets, rather than awarded as a matter of course.

The KCC Staff disagreed with CURB, arguing that Westar should be reimbursed for the sales it loses as a result of its customers' participation in the Efficiency Kansas program. Staff asserted that the Commission should allow this type of lost revenue recovery to encourage Westar's participation in Efficiency Kansas.

A Commission ruling on Westar's proposal is expected on January 31, 2011.

KCC Docket No. 10-WSEE-775-TAR

KCC rate design project nearing completion

As part of the American Recover and Reinvestment Act (ARRA) of 2009, the KCC's State Energy Office received approximately $47.7 million in additional funding from the U.S. Department of Energy. The KCC dedicated $1 million of the ARRA money to hire Christensen Associates Energy Consulting, LLC, to research and design utility rate structures that would encourage consumers to utilize electricity in an efficient manner.

In December, Christensen completed its preliminary report, which discusses several rate design options and their effects on customer bills. Christensen obtained customer usage data from KCP&L, Westar, and Midwest Energy for its analyses. The report details the effects of five different utility rate design designs on customer usage levels and bill impacts.

However, before we discuss the Christensen report, a short discussion about the basics of rate design will be helpful to those who aren't familiar with them.

Let's begin with an explanation of the terms "fixed costs" and "variable costs", as used below, which identify two major kinds of costs that utilities incur.

Fixed costs are those that do not generally decrease or increase in tandem with decreases or increases in customer usage of electricity. Fixed costs include most payroll costs, capital investments in plant and other costs that tend to stay the same regardless of how much electricity customers are consuming at any given moment. These so-called fixed costs can increase or decrease over time, but they do not vary solely because of variations in customer consumption.

On the other hand, variable costs are those costs, such as fuel and transportation costs for coal, natural gas, etc., that rise and fall directly as a result of variations in electric consumption. An electric utility's variable costs increase during times of peak consumption and decline during times when usage is lower.

Currently, most electric utilities in Kansas charge a monthly customer charge that recovers some, but not all, of its fixed costs. The rest of the fixed costs are recovered through a volumetric charge. This is a fixed charge per kWh used. Most of the variable costs, which are fuel- and transportation-related, are charged to customers through what is called an energy charge. Thus, under these current rate structures, customers who use more electricity contribute more to the utility's fixed costs than those customers who use less electricity. However, assuming a year of typical weather and assuming the two rates are designed correctly, the annual revenues recovered through customer charges and volumetric charges should provide the utility full recovery of its annual costs and its approved rate of return, and no more. Although each year is different, a well-designed rate structure provides the utility a fair opportunity to earn its authorized rate of return.

Traditionally, those who designed rate structures have focused on designing rates that distribute the revenue requirement of the utility among the various customer classes in proportion to the costs of providing electricity to each class as a whole.

In recent years, however, some environmental advocates have been promoting the idea of using innovative rate designs to discourage wasteful energy use.

Others have pointed out that using rate design to encourage more efficient use of energy would reduce the need for more electric plants, which not only pollute the air, but are expensive and drive up the cost of electric service for everyone.

Thus, there is growing interest in using rate design as a tool to motivate individuals to use less electricity, and thereby slow down our society's growing appetite for electricity.

Christensen's rate design study was commissioned to explore the idea of using rate design to encourage energy efficiency. The focus in this study is on how individual customers would be impacted by various rate designs. Here are the rate structures that Christensen studied:

Flat rate: this rate structure consists of a single charge per kWh, without a fixed monthly customer charge. The utility recovers all of its fixed and variable costs through this volumetric rate.

Straight-fixed variable rate: this rate structure consists of a fixed monthly customer charge, through which the utility recovers all of its fixed costs, plus a per kWh volumetric charge that includes all of the utility's variable costs.

Inclining block rate: in this rate structure, the per-kWh unit price of electricity increases as the customer's electricity consumption increases. The first block, or quantity of electricity used, is the least expensive. Each additional block used is more expensive than the preceding block.

Time-of-use rate: this rate structure consists of fixed prices that vary over the course of a day. For example, with a time-of-use rate structure, the price charged per kWh of electricity will be more from 11:00 AM to 7:00PM during the peak usage period of the summer months. The rest of the year, the price will be higher during the peak usage hours of 6:00 AM to 10:00 PM.

Day-type time-of-use rate: this rate structure is similar to the time-of-use rate, but it allows the rates to vary with expected conditions. For example, when the utility expects usage to be at its peak during the hottest days of summer, it will notify customers that a time-of-use rate will be in effect for that peak usage period.

Christensen's preliminary report revealed the following information:

Straight-fixed variable rates increase bills for low-use customers and decrease bills for high-use customers.

Inclining block rates tend to decrease bills for low-use customers and increase bills for high-use customers;

A **combination of straight fixed variable and inclining block rates** produces bill impacts that more closely resemble the straight-fixed variable bill impacts; and

Time-of-use and **Day-type time-of-use rates** tend to benefit customers with relatively less usage during peak hours.

A collaborative workshop will be held in February to further discuss Christensen's preliminary report.

CURBside is brought to you by the Staff of CURB:

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A few random musings while I wait for the snow to start flying around here. A major storm is heading for the Corner. Official forecasting types are predicting up to eight inches of snow. All meetings tomorrow are scheduled on the sledding hill.

Natural gas prices are still pretty low around here. Usually they go up a bit during the winter, but not this year. I did a quick check on the CURB website and found that the November, December and January prices this year for Kansas Gas Service, Atmos and Black Hills customers were all the lowest prices since 2006. Actually, it's probably been longer ago than that, but I don't have that data at my fingertips. So, hopefully your heating bills have been a little less of a hardship this winter.

On the other hand, there's bad news, too. Kansas City Power and Light wins the award for the most audacious spending of your money. It's bad enough that the $736 million coal plant KCPL just built actually came in at about $1.2 billion, which the Commission decided was just fine in the recent rate case. Your rates went up another $26 million…about 40% higher than they were five years ago.

To add insult to injury, KCPL spent almost $8 million in this case to convince the Commission to raise your rates. It must be nice to have an unlimited budget to argue for what you want. KCPL obviously bought the best lawyers and consultants money could buy.

And now, here's the kicker: The Commission says you—KCPL's customers—have to pay $5.6 million of KCPL's rate case expenses.

And here's full disclosure: a whopping $150,000 of the $5.6 million is what we here at CURB spent trying to protect you from the rate increase. You see, unlike KCPL, CURB has to stick to a budget.

A fun fact from the KCPL hearing….According to KCPL's proxy statement, from 2004 to 2009, the total for salaries of the top five executives at KCPL went from $3,582,951 to $12,386,951. If my calculator is working right, that's about a 350% percent salary increase.

The Commission's effort to get utilities to offer more energy-efficiency programs didn't fare so well this past year. Kansas Gas Service Company filed to offer energy efficiency programs, but withdrew the case. Black Hills Energy filed to offer energy efficiency programs, but withdrew the case. KCPL filed to offer additional energy efficiency programs, but withdrew the case. See a pattern emerging?

Frankly, it's easier to be in favor of energy efficiency than to figure out the nuts and bolts of how to pay for it when the utilities don't really want to do it. Bottom line, the Commission hasn't figured out how much money it will let the utilities charge you for helping you not use their product.

Westar, which does happen to offer a small portfolio of energy-efficiency and demand-side management programs, just added a new $5.8 million charge on your bill to pay for those programs. One program alone costs over $4 million—which consists of payments to a single customer in Wichita for not using electricity during peak demand periods.

Westar has applied to the Commission for authority to help you access the Efficiency Kansas Loan program. With Efficiency Kansas, you get an energy audit, energy-efficiency upgrades to your home and a zero-interest loan to pay for the upgrades. You get to pay the loan back on your monthly Westar bill for 15 years. Hey…you should look into this...it could save you some money over the long term.

So what's the hitch? (There's *always* a hitch in this business). If a customer uses Efficiency Kansas to finance home improvements that will reduce his/her electricity use, Westar will get less money from that customer. So Westar wants all the other customers who don't use the Efficiency Kansas program to pay back the loss in sales revenue caused by the customers who took out loans through Efficiency Kansas to reduce their energy usage. We don't think that is such a hot idea. If the Commission gives this to Westar, expect every other utility to ask for revenue guarantees, as well. .

Impacts of the Kansas Renewable Portfolio standard have arrived, in the form of Westar asking for pre-approved rate treatment for adding 379 megawatts of wind to the system. So, even though Westar says it doesn't need any new generation for the next ten years, we're buying wind anyway.

I don't quite get this. Oh, I get the good intentions behind forcing the ratepayers to buy wind. I just don't get spending ratepayer money when it isn't necessary. But that's a question for the legislature.

Speaking of spending money, the Staff of the Commission just asked the Commission to open a docket to look at whether it makes sense to spend billions of dollars upgrading old dirty coal plants as opposed to shutting them down and building something new. Great question! We'll see what the answer is in the next few months.

Looks like a busy year ahead…after a busy year behind. I think for a short time I'll just enjoy the beauty of the snow coming down outside the window. Sledding anyone?

—Dave Springe

Tell the KCC what you think about Westar's plan to add 369MW of wind power

On November 10, 2010, Westar Energy, Inc. and Kansas Gas and Electric Company (collectively Westar) filed an application with the Kansas Corporation Commission (KCC) for a determination of ratemaking principles and treatment that will apply to the recovery in rates of the costs to be incurred by Westar pursuant to power purchase agreements for the purchase of wind energy.

If approved, customers will pay for the wind power through the retail energy cost adjustment. Westar estimates the cost to customers will be about $48 million annually.

Public Hearings

The KCC has scheduled three public hearing sites to allow Westar customers the opportunity to ask questions and make comments about the application:

Tuesday, Feb. 1, 2011
6 to 8 p.m.
Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, KS 66604

Or by video conference at:
WSU Eugene M. Hughes Metropolitan Complex Sudermann Commons, Room 132
5015 E. 29th North (Entrance C)
Wichita, KS 67220

K-State at Salina
College Center Conference Room
2310 Centennial Rd. (park/enter south side)
Salina, KS 67401

Westar customers unable to attend the public hearing are encouraged to submit comments to the KCC through March 18, 2011. Comments should reference Docket No: 11-WSEE-377-PRE. Direct your comments as follows:

E-mail: public.affairs@kcc.ks.gov
Toll-free 1-800-662-0027
Mail: Kansas Corporation Commission
Office of Public Affairs and Consumer Protection
1500 SW Arrowhead Road
Topeka, KS 66604-4027

CURBside
The Citizens' Utility Ratepayer Board (CURB)
1500 S.W. Arrowhead Rd.
Topeka, Kansas 66604
Telephone: (785) 271-3200
Fax: (785) 271-3116
Email: curb@curb.kansas.gov