

CURB News



Volume 18, Issue 3

THE CITIZENS' UTILITY RATEPAYER BOARD OF KANSAS

May 2018

KCC APPROVES MERGER BETWEEN KCPL & WESTAR



was very involved in the KCC proceeding,

On May 24, 2018, the KCC approved the Merger application filed by Westar, KCP&L and Great Plains Energy, Inc. Consequently, Westar and KCP&L will now become wholly-owned subsidiaries of a new holding company named "Evergy." Westar shareholders will own approximately 52.5% of Evergy with Great Plains' shareholders owning the remaining 47.5%. CURB

was a signatory to a Non-Unanimous Settlement Agreement ("SA") along with several other parties - including KCC staff, and testified in support of the merger subject to the conditions in the SA. Those conditions include: 1) one-time bill credits to Westar Kansas retail electric ratepayers totaling \$23,065,299, and totaling \$7,514,220 to KCP&L Kansas retail electric customers; 2) ongoing

annual bill credits of \$8,649,487 to Westar Kansas retail electric customers and \$2,817,832 to KCP&L Kansas retail electric customers for each of the years from 2019 through 2022; 3) a five-year base rate moratorium, provided their authorized return on equity (ROE) is at least 9.3%, following the respective 2018 KCP&L and Westar rate cases; 4) reduction in rates brought about by 100% of the tax savings caused by the reduction in corporate income

UPCOMING CASES WE ARE FOLLOWING:

- 18-WSEE-328-RTS — WESTAR RATE CASE
- 18-KCPE-420-TAR — KCPL 2018 ENERGY EFFICIENCY RIDER
- 18-SPEE-477-RTS SOUTHERN PIONEER 2018 DSC-FBR AND 34.5 FBR
- 18-GIMX-248-GIV FEDERAL INCOME TAX REFORM GENERAL INVESTIGATION

EMPIRE WITHDRAWS CUSTOMER SAVINGS PLAN

The March edition of CURB News talks about [concerns CURB filed in Docket 18-EPDE-184-PRE](#) regarding Empire District Electric Company (Empire)'s petition for its Customer Savings Plan that included development of an 800MW Wind Farm.

The petition asked the Commission to pre-approve a plan the company believed could achieve up to \$325 million in customer savings over the next 20 years. Empire specifically asked approval of:

- 1) Authorization to record its investment in the costs to operate the Wind Projects in its rate base.
- 2) Authorization to create a regulatory asset for the undepreciated balance of the Asbury plant, so that it may be considered as

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BOB HALL
– VICE CHAIR
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– MEMBER
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OUR MISSION:

TO ZEALOUSLY PROTECT THE INTERESTS OF RESIDENTIAL AND SMALL COMMERCIAL UTILITY RATEPAYERS

(MERGER, cont. from page 1)

tax from 35% to 21% under the Tax Cuts and Jobs Act; 5) guaranteed savings to the ratepayer through reduced rates equal to \$22.5 Million for Westar Electric Retail Customers and \$7.5 Million for KCP&L Electric Retail Customers; 6) an Earnings Review and Sharing Plan (explained below); 7) a Capital Resource Plan (including an Integrated Resource Plan) which requires the budgets, schedules and post-completion reporting on capital expenditures related to generation, transmission, and distribution to be evaluated; 8) compliance with Quality of Service Performance Standards and Monitoring Criteria to ensure that quality of service remains at or above par; 9) limitation of collection of transition costs to \$50 million on a total combined company basis with the Kansas jurisdictional portion to be amortized over ten years, and no transaction costs being collected from Kansas ratepayers; and 11) compliance with a host of financing and operations

requirements designed to maintain the financial integrity of Westar and KCP&L.

The Earnings Review and Sharing Plan (ERSP) is a mechanism by which the merger savings will be analyzed and evaluated by KCC staff and CURB for each of the five years of the rate moratorium. If annual savings result in the utilities earning more than their authorized rate of return after taking into account the savings outlined above, then 50% of those excess savings will be credited to Kansas utility ratepayers. Thus, the ERSP operates as a guarantee that ratepayers will continue to enjoy a share of additional merger savings beyond those specified above.

It is important to note that the Merger was subject to a thorough review and analysis by CURB, KCC staff and other parties that the Merger was in the public interest as determined by a set of merger standards long adopted by the KCC. In this case, the Merger satisfied all of the merger standards. As a result, the KCC unanimously approved the SA. Indeed, in the last few years it had become apparent that some

utility would attempt to merge with or acquire Westar. Given that likelihood, CURB believed that the merger between Westar and KCP&L was the best fit among other merger possibilities.

It is also important to note that CURB worked very hard in negotiations regarding the SA to assure as many rate savings and consumer protections for the residential consumer as reasonable. CURB believes it succeeded. Millions of dollars of savings will benefit Kansas electric retail consumers directly resulting from the merger. Moreover, CURB obtained assurances from Westar that it will maintain its headquarters in Topeka for at least 10 years, that it will maintain its charitable giving and community involvement in the respective KCP&L and Westar service territories at the 2015 levels, or higher, for at least five years after the close of the merger, that there will be no involuntary severances as a result of the merger's plant closings, and several other community assurances.

KCP&L NEW BILLING PROCEDURES APPROVED

In the September 2017 newsletter, CURB discussed tariff modifications recently proposed by KCP&L prompted by new billing system software the company is installing. In one of the dockets, 18-KCPE-063-TAR, KCP&L seeks approval from the KCC to change how it calculates estimated bills when the procedure is necessary. In docket 18-KCPE-062-TAR, KCP&L would like to change its Average Payment Plan calculation to a rolling average, as well as extend the plan to Small General Service (SGS) customers who are currently not able to participate. Both KCC Staff and CURB have studied the procedure changes

proposed. In a report and recommendation (R&R) for 18-KCPE-063-TAR, Commission Staff indicates that the new procedures meet Billing Standards established by the KCC. Regarding KCP&L's Average Payment Plan tariff changes presented in 18-KCPE-062-TAR, Staff reported that the changes would allow SGS customers to reduce monthly-billed variability, plus lessen the potential amount of bad debt from participating customers. Additionally as mentioned in the report, the new procedures are likely to provide more accurate estimates, and will be less costly to implement due to reduced adaptation.

CURB believes KCP&L's requested changes to estimated bill procedures and average payment plans are reasonable, and that Commission Staff's recommendations support Kansas residential and small commercial ratepayer interests. CURB Staff attorney Thomas Conners filed CURB's response, recommending the Commission adopt Staff's recommendations. After reviewing the R&R's, the KCC has approved both procedure changes, allowing them to become effective simultaneously with KCP&L's new billing system roll-out later this month.



...THE NEW PROCEDURES ARE LIKELY TO PROVIDE MORE ACCURATE ESTIMATES...

Consumer Feature: GETTING PREPARED for HOT WEATHER

IT'S nearly summer! CURB offers these energy tips to help you prepare for the season:

Stay safe

Did you know both energy usage and safety incidents go up during hot weather? Stay cool during extreme temper-

atures by seeking a cool public place if you don't have air conditioning or fans. You can call United Way 2-1-1 for assistance or for more information about public cooling centers in Kansas.

Close Blinds

Help control your home's

temperature by closing shades, blinds, drapes and curtains.

Stay Hydrated

Drink plenty of water and avoid strenuous activity.

www.kcpl.com/about-kcpl/media-center/2017/june/kcpl-prepared-for-hot-weather-and-offers-customers-tips



News from the Watchdog for Residential and Small Commercial Utility Consumers

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Established in 1988, the Citizens' Utility Ratepayer Board (CURB) is an agency focused on advocacy for residential and small commercial utility consumers in Kansas. The CURB is composed of an appointed board of five (5) volunteer members representing the congressional districts in Kansas and one at-large member, and was initially founded by the Chairman of the Kansas Corporation Commission upon a perceived need for a stronger consumer advocate. Today, CURB has evolved to an independent agency with its mission "to zealously represent the interests of residential and small commercial utility ratepayers before the Kansas Corporation Commission and the Kansas legislature."

We're on the Web!

curb.kansas.gov

(EMPIRE WITHDRAWS PLAN, cont. from page 1)

part of the rate base in future dockets.

3) Approval of the arrangements, to the extent needed, between Empire and others necessary to implement the plan.

4) Approval of depreciation rates.

5) Issuance of an order to be effective by June 15, 2018, so approval would be final by June 30, 2018.

6) Empire would be allowed to retain part of the savings generated under the plan.

CURB reviewed the filing and testimony from Empire witnesses, and our consultant Andrea Crane filed testimo-

ny opposing the plan on March 1st. As discussed, CURB felt that the proposed wind farm is not needed to serve ratepayers and is more a financial move by Empire. CURB also felt that the authorization to create a regulatory asset of the retirement of the Asbury coal-fired plant was not in the best interest of ratepayers.

Empire was attempting to put this on the fast track and thereby receive an order by June 15, 2018. CURB attended a Settlement Conference on April 5th with Empire representatives and members of the

KCC staff. The conference was cordial, but no settlement was reached.

On April 25, 2018, Empire filed a [motion to withdraw](#) its petition. Empire took this step following the signing of a settlement agreement in Missouri. The Missouri settlement included the agreement to retain the Asbury coal-fired plant and reduce the amount of wind projects to 600MW. With these material changes to the original petition and CURB and KCC Staff's continued opposition, Empire indicated it felt it was best to withdraw the Petition.

