

Regulatory Assistance Project Electric Resource Long-range Planning Survey
Compiled by CM LB

State: KS Date: 8/9/05

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Policies

1. Is any form of long-range electrical resource and/or investment planning required?
 Yes No

There is nothing required by regulation or statute, but there are two utilities that have been required to share their planning with the Commission on an individual case basis. In both of these instances, the long-term planning requirement has been implemented via dockets or settlements. The two utilities and their respective long-term resource planning requirements are described below.

West Star Energy. West Star Energy, the state's biggest utility, is required to meet annually with KCC staff and intervenors to brief them on resource planning. This agreement was developed in a settlement in response to a siting application.¹ These meetings are informal and are not open to the public, although intervenors in the initial siting case continue to participate.

Kansas City Power & Light (KCPL). Recently, KCPL and intervenors entered into a settlement that captures rate treatment until 2010. The agreement, approved on August 5th, 2005, will allow KCPL to build a 500 MW coal plant and 100 MW of accompanying wind generation, as well as certain transmission and distribution upgrades and DSM programs. The process included developing a comprehensive picture of the utility's needs for the next five years, including demand forecasts, projected expenditures, and resource procurement. According to the settlement, KCPL can file for annual rate reviews through 2010. Rate treatment will be contingent on several factors, some of which are related to the utility's financial performance and some of which are related to compliance with the plan. At this point, the settlement ends in 2010, after which date there are no further requirements.

¹ Prior to 2001, generation siting was done via an application process, as required by statute. These requirements were revoked in 2001. The long-term planning meetings described above resulted from a siting application that was filed prior to 2001.

Kansas also has a statute, passed in 2004, that allows utilities to petition the KCC for preapproval of a fixed rate of return for the life of a generation or transmission investment. In order to file under the statute, a utility must submit a 10 year demand forecast, a description of its DSM programs, and a description of any potential alternatives to the proposed investment. Under this statute, one petition has been filed and subsequently withdrawn. The long-term implications of this statute are unclear at this time.

2. If yes, what planning processes are going on?

In addition to the processes described above, Kansas has two forms of transmission planning. Large transmission siting projects (230 kV or above, or longer than 5 miles in length) for jurisdictional electric utilities are covered by the Kansas Siting Act. The Act requires that permits for these projects must be acquired before the project is begun, showing that the project is well-sited and offers some benefit to Kansas. Both technical and public hearings are held² as part of this process. Requests for preapproval are optional.

All other long-range transmission planning is done in cooperation with the Regional Transmission Organization (RTO), the Southwest Power Pool, which conducts a broad study of the region to determine what upgrades are necessary for system reliability. The Commission isn't directly involved in that process, but the individual utilities are. The RTO planning process is fairly recent, and the relationships may evolve over time.

3. Please describe the process.

West Star Energy participates in required annual meetings to discuss their long range supply plan. These meetings are informal and are not open to the public, although intervenors in the initial siting case continue to participate.

KCPL has no ongoing obligation, other than to comply with their plan. There are currently no planning requirements for the state's other utilities, Midwest Energy and Aquila, Inc., although it is customary for any utility to meet with Commission staff before embarking on major projects.

4. Is it statewide or utility-specific planning? What types of entities are required to participate?

To the extent that long-rang planning occurs, it is utility-specific.

² In Kansas, public hearings are held to gain general public input, while technical hearings include intervenor participation.

5. Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?

For Westar, there has been no connection. Westar has not constructed new generation³ since this process began, so the issue has not been raised. There is no precedent for a connection between the two processes.

KCPL has submitted a detailed construction plan as part of its settlement agreement. Any deviation from the plan would require consultation with staff and filings with the Commission.

There would be a relationship between planning and rate treatment for utilities filing under the new statute (see Question 1) for a fixed rate of return on new investments, but this has not happened yet.

6. This form of planning has been required since what date?

For West Star Energy, since 2001; for KCPL, since August 2005.

7. How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?

Enforcement hasn't been an issue for either of the processes.

8. Is anything similar required for non-electric natural gas-related planning? Yes
 No

If yes, what is that process called?

Gas utilities participate in an annual discussion of their purchase strategy. The Commission oversees and conducts prudence reviews of long term pipeline contracts, hedging agreements, short term contracts, and long term purchase agreements, if any. Most gas is purchased under short term agreements.

Required Elements

9. Back to the electric resource process. Which of the following resources must be explicitly evaluated/included:
- Generation
 - Transmission
 - Distribution

³ The generation project that initiated this process was approved in 1999.

Energy efficiency
Load Management
Other demand side measures
Specific generation (e.g. renewable, distributed)
Others

West Star Energy's meetings primarily focus on generation, but some transmission is discussed. Energy efficiency and load management are not included.

KCPL's agreement included all of the above.

What tests must be included/utilized?

No tests have traditionally been used. Typically, the KCC has looked at the generation mix to make sure that the amounts of peaking/baseload/etc. are appropriate and comprise an ideal generation mix. Then the costs are reviewed for reasonableness.

In the KCPL agreement, the Commission approved funding for energy efficiency programs. However, KCPL's proposed programs still need to undergo individual review by the Commission in order to receive rate treatment. The Commission is currently investigating what tests or other methods should be used to evaluate these programs prior to approval.⁴

10. Describe the analysis required by the regulatory body (what is compared to what to make decision? How are resources compared to each other? Cost with one set of resources vs another, economic, environmental?)

No specific analysis is required as a part of either Westar or KCPL's planning process. Investments made by any utility are subject to prudence reviews and must meet the "used and useful" standard in order to receive rate treatment. Utilities demonstrate meeting those standards, and the Commission staff review and analyze the chosen investments.

The KCC also conducts purchase practice prudence reviews for purchases covered by a fuel clause. These reviews occur during monthly fuel cost adjustments and during rate cases.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

Sensitivity analysis typically accompanies any utility's supply plan. The analysis can vary, but may include examination of scenarios that can include varying fuel costs, potential tax credits (i.e., for wind), and increased environmental regulation.

⁴ Historically, the KCC has had little experience evaluating efficiency programs. Efficiency and low-income projects have typically occurred in the context of settlements. KCPL's proposed efficiency programs are the first large-scale projects requiring KCC review and approval.

Sensitivity analysis not a specific requirement of either process, but is common practice and is expected by the Commission when utilities are planning to construct new supply.

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? Yes No

This wouldn't be required, although there are times when it might be done. For example, load management programs, usually tariffs, are sometimes considered as methods of controlling demand. In general, however, supply options often appear to make more economic sense to utilities than demand options do. Kansas utilities can sell excess power on the wholesale market, and the resulting wholesale revenues can be used to keep regulated rates lower. Because of this, demand options aren't always considered fully by the utilities.

13. The plan's objectives, from the regulatory perspective:

To inform the Commission about investment decisions that will impact rates, both currently and in the future.

14. The plan's objectives, from the utility perspective:

To avoid regulatory uncertainty, and to help them procure financing.

15. Are alternative scenarios analyzed as part of the plan? Yes No

Various scenarios are considered as described in Question 11.

Are externalities considered? If so, which ones and how are they considered?

No

16. What is the planning horizon?

Usually 10 years, but this can vary.

Length of Energy and Demand forecasts

10 years. Capacity and demand forecasts are not done by Kansas, but are supplied by the Southwest Power Pool in its EIA411 Report.⁵

Length of Short-term Action Plan None

⁵ Data is supplied to the Southwest Power Pool by individual transmission owners in the region, and compiled in an annual report submitted to the Department of Energy. The 2005 report can be found online at: <http://www.spp.org/Publications/SPP-05-411-public.pdf>

17. How often do utilities have to file plans? Update plans? What actually happens?

In the case of West Star Energy, meetings are held annually. For KCPL, updating will occur in annual rate filings. They also need to show their progress on the plan in annual reports to KCC staff. This agreement is new, however, and filings have not yet occurred.

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

Monitoring occurs in annual reporting, rate cases, and review of the Southwest Power Pool EIA411 Report, which Commission staff are required to review.

19. Are environmental issues considered in the planning process? Yes No
If yes, please describe.

Consideration of environmental issues is not required. However, the plan proposed by KCPL addresses some environmental issues. The utility plans to add a new coal plant, while conducting various upgrades in order to reduce the fleet's overall NOx and SOx emissions.

20. Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?

The Commission hasn't asked any utilities to consider carbon emissions, but the issue was addressed in KCPL's agreement by considering the risk of a future carbon tax.

Agency Process

21. Is there a formal acceptance and/or acknowledgement process used for the resource filing? Yes No

That process has already been done with KCPL, and isn't expected to be done again. The process is not applicable to West Star's informal meetings.

22. Does the agency hold public hearings on draft/final utility plans? Yes No
If not, describe what does happen.

Westar's meetings are not open to the public, and the other utilities have no formal planning process. Public hearings are not required in rate proceedings, but they are generally held. Technical hearings, which include formal intervenors, are a requirement in rate proceedings, unless all involved parties have reached agreement. (Intervenors can include Commission staff, the Citizen Utility Ratepayer Board [or CURB, representing residential and small commercial

customers], environmental groups, and large industrial customers or groups. CURB usually intervenes in all proceedings. In the recent KCPL agreement, both public and technical hearings were held. In Westar's meetings, technical hearings are not held, but intervenors from the initial siting case are participants.

If yes, what is the duration of the public hearing process?

The duration depends on the case and the geographical location.

23. Other ways the public participates and comments on plans are:
(Prompts if needed: email or mailing lists, interactive web sites)

Email and written comments are all presented before the Commission. The Commission generally allows a 30 to 60 day comment period.

24. What action can the Commission take on the plan(s)?

Review it

Accept it

Approve it

Reject it

Acknowledge it

Require utility to modify and resubmit it

Other

The question doesn't apply to any of the processes used in Kansas.

25. Have resource acquisition decisions changed as a result of the planning process?

Yes No Not Sure

26. Are competitive processes used to acquire new resources? Yes No

Competitive process for acquisition of future generation will be required for KCPL, and staff will review the RFP process under the agreement.

For West Star Energy, some competitive processes are used, but this is not a requirement.

27. If yes, do you require regulatory review and approval of the competitive solicitations used?

Yes, for KCPL (see above).

28. Do utilities file an energy efficiency or DSM plan? Yes No

If so, is it separate or integrated with other plans?

The only DSM filing has been in the recent KCPL settlement agreement.

29. Is competitive bidding used to acquire EE resources? Yes No

There has been little use of DSM programs in Kansas. KCPL may be doing more EE programs in the future, but the question of whether or not competitive bidding will be used is unknown.

30. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? Yes No

31. Citation and description:

32. Are utility plans available on-line? Yes No If so, what is the address?

33.

Elements of the KCPL agreement and documents related to the final settlement are online. They can be found by entering the docket number, 04-kcpe-1025-gie, into the search engine at <http://www.kcc.state.ks.us/docket/docket.htm>.

Is on-line publication voluntary or mandatory? Voluntary

34. Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:

Statutes relating to public utilities can be found at <http://www.kslegislature.org/legsrv-statutes/articlesList.do>

Statute on preapproval -- KSA 66-1239 (<http://www.kslegislature.org/legsrv-statutes/getStatute.do>)

The Transmission Line Siting Act encompasses multiple statutes-- 66-1,177 (<http://www.kslegislature.org/legsrv-statutes/getStatute.do>) through 66-1,183 (<http://www.kslegislature.org/legsrv-statutes/getStatute.do>)

Docket initiating West Star process -- 99-wsre-381-egf (searchable at <http://www.kcc.state.ks.us/docket/docket.htm>)

KCPL plan (searchable at <http://www.kcc.state.ks.us/docket/docket.htm>, see above).

35. Do you anticipate any changes to this process in the near future? Yes No
If yes, please describe.

There is no current docket considering any changes.

35. Have there been any recent settlements or orders in rate cases or other dockets that may affect resource procurement or investment incentives? Yes No

Aside from the recent KCPL case described herein, there are none.

36. Does your state do performance-based regulation? Yes No
If so, please describe briefly.

37. If your state uses PBR, is successful compliance with an approved resource plan one of the areas subject to incentives or penalties? Yes No

38. Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables? Yes No (Examples: lost revenue recovery, shared savings, bonus rate of return) If so, please describe briefly.

There is a statute that allows the commission to grant from 1.5-2% increased ROE for utility investments on RE or EE. Nobody has applied for it yet, but the statute has existed for some time.

The statute number is KSA66-117.

39. Do any tariffs include a fuel/purchased power clause? Yes No
If so, how does it work?

Kansas' Energy Cost Adjustment clauses (ECAs) include costs for fuel, purchased power and SOx emissions credits. The design of the ECAs are utility-specific. There is currently an ongoing investigation into Aquila's energy cost adjustment, dealing with the prudence of an investment. The basic issues have not yet been agreed to, but Aquila may be getting out of the state in the near future, and the investigation is not a priority at this point.

40. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)? Yes No

If so, please describe, including how the mandate relates to power vs. RECs.

Can EE or DSM savings be credited toward a utility's renewable mandate?

State Energy Plan

41. Is there a State Energy Plan? Yes No
42. Is it connected to the planning described above? Yes No
43. If yes, who is responsible for the Plan?

There is a Kansas Energy Council, formed by the Governor, which meets and proposes policy changes. This group includes one Commissioner.

44. What is included in the Plan, apropos of long-range electrical planning?