



### What is Westar's Rate Consolidation Proposal?

Since the merger between KPL and KGE nearly 20 years ago, Westar has been working to achieve rate parity.

The first phase of the rate consolidation proposed by Westar is to calculate a single retail energy cost adjustment, transmission delivery charge, property tax surcharge, and environmental cost recovery rider for all customers.

- **Retail Energy Cost Adjustment:** Encompasses the fuel costs to produce electricity, purchased power cost, and the off-system sales adjustment, which credits profits from wholesale sales to retail customers.
- **Transmission Delivery Charge:** Reflects costs associated with building and maintaining Westar Energy's transmission system.
- **Property Tax Surcharge:** Reflects changes in the amount of property tax since Westar Energy's most recent rate review.
- **Environmental Cost Recovery Rider:** Allows Westar to recoup the costs associated with investing in equipment to meet environmental standards.

In phase II of Westar's proposal, an effort will be made to eliminate any remaining differences in the base rates between the North and the South.

### Will my bill be higher if rates are consolidated?

Currently the average Westar North residential customer pays \$77.28 a month and the average Westar South residential customer pays \$77.31 a month. Although the rates are very similar, different costs structures make up the total amount. If the rates are not consolidated, they could diverge in the future.

If the Commission agrees to adopt Westar's proposal, the first phase of the rate consolidation will not affect customer's rates. Any increase or decrease to the retail energy cost adjustment, transmission delivery charge, property tax surcharge, and environmental cost recovery rider will be offset by an equal and opposite change to the base rates to assure the process is neutral for Westar and its customers.

For example, if the fuel charge for Westar South has averaged 1.4 cents per kWh, and the Westar North average fuel charge was 2.0 cents per kWh, the consolidated fuel charge would be 1.7 cents per kWh. Westar's proposal would raise the Westar North customers' base energy rate by 0.3 cents per kWh and lower the Westar South base energy rates by 0.3 cents per kWh.

If rate consolidation is adopted, further adjustments will be made during phase II to equalize rates between Westar North customers and Westar South customers, so that all Westar customers will pay the same rate for the same service.

### What is the role of the Kansas Corporation Commission?

It has been the position of the Commission staff that any attempt to equalize rates among merged utility customers should be done gradually to avoid unreasonable rate impacts for any one group of customers.

Following the merger of Kansas Power and Light and Kansas Gas and Electric in 1992, the Commission urged Westar Energy to reduce the disparity between Westar North and Westar South rates during a 1996 rate case and again in 2001 and 2005.

In 2008, Westar initiated a proceeding to make changes to its charges for electric service. Westar proposed to further advance convergence of Westar North and South rates, stating that the rates between Westar North and Westar South were very close, and that now might be an appropriate time to consolidate the rates.

The Commission made the decision to address the issue of consolidation in a separate docket to allow interested parties to present testimony and to encourage public input that focuses on the sole question of rate consolidation and the resulting rate design.

In this proceeding, the Kansas Corporation Commission will consider *if the rates should be consolidated* and, if so, *how the rates should be consolidated* to be sure all Westar customers pay the same rate for the same service. Your comments at the public hearing are an important part of this process!