



# Federal Energy Regulatory Commission

## July 17, 2014

### Open Commission Meeting

### Staff Presentation

### Items E-2 - E-7

"Good morning Acting Chairman LaFleur and Commissioners,

"Items E-2 through E-7 concern proposed Commission-initiated investigations of whether the formula rate protocols, or formula rates which lack protocols, of certain public utilities are sufficient to ensure just and reasonable transmission rates.

"The integrity and transparency of formula rates and particularly formula rate protocols are critically important in ensuring just and reasonable rates, and especially so given that more utilities are using formula rates to recover the cost of their transmission investments.

"The Commission has recently addressed formula rate protocols in the MISO region. Following a section 206 investigation, the Commission found that the formula rate protocols were insufficient to ensure just and reasonable rates, and therefore, directed MISO and its transmission owners to file revised formula rate protocols to address the Commission's concerns about the scope of participation, the transparency of the information exchange, and the ability of customers to challenge transmission owners' implementation of the formula rate as a result of the information exchange. Among the requirements addressing the transparency of the information exchange, the Commission required MISO to include a provision in the formula rate protocols that transmission owners make annual informational filings of their formula rate updates with the Commission.

"The Commission staff has undertaken a review of the transmission formula rates and formula rate protocols of jurisdictional public utilities to identify utilities that currently are not required to make annual informational filings of their formula rate updates with the Commission, and identified the utilities discussed in Items E-2 through E-7. Those utilities are: Black Hills Power, Inc., UNS Electric, Inc., Louisville Gas & Electric and Kentucky Utilities Company, Westar Energy, Inc., Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company and The Empire District Electric Company.

"In addition, the Commission staff undertook an analysis of the identified utilities' formula rate protocols based on the concerns identified in the MISO formula rate protocol orders. The draft orders find that the identified utilities either have formula rate protocols that are deficient regarding scope, transparency, and challenge procedures, and thus appear to be unjust and unreasonable, or have formula rates that lack protocols entirely.

"Specifically, the draft orders require the identified utilities to revise or provide formula rate protocols to: (1) enable a broader range of interested parties to obtain formula rate information and participate in review processes; (2) improve transparency by making revenue requirement, cost inputs, calculations and other information publicly available and by providing interested parties with the opportunity to review such information; (3) submit to the Commission their formula rate updates annually as an informational filing, and (4) set forth well-defined procedures through which interested parties may both informally and formally challenge the implementation of the formula rates.

"In order to effectuate these changes, the draft orders require the identified utilities to file formula rate protocols or file revisions to their formula rate protocols within 60 days to address the Commission's identified concerns or show cause why they should not be required to do so.

"In addition, based on its experience reviewing transmission formula rate annual updates, today staff will post on the Commission's website general guidance for utilities on the appropriate format (including providing work papers in their native format with all formulas intact) for annual formula rate

updates posted for interested parties and filed with the Commission as informational filings and the level of support that is expected for such annual updates to assist the utilities in preparing future annual updates and annual update informational filings.

“Thank you. We would be happy to answer any questions that you may have.”