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FERC Provides Staff's Guidance for Formula Rate Updates, Directs Utilities to File Revisions

The Federal Energy Regulatory Commission (FERC) today posted on its website FERC staff's general guidance for electric utilities' annual formula rate updates to address common deficiencies that have impeded the ability to review the updates and verify that rates are consistent with the formula. In separate orders, the Commission directed two utilities to propose formula rate protocols and four others to revise their protocols or explain why they should not be required to do so.

The integrity and transparency of transmission formula rates and their implementation are critical to ensuring just and reasonable rates for customers. FERC requires utilities to share annual updates to those formula rates with all interested parties and to file the updates with the Commission on an informational basis.

In reviewing annual updates, staff identified certain common deficiencies that today's guidance document is intended to address. This guidance addresses the format of the updates, and states that updates must sufficiently support all inputs so that interested parties can verify that each is consistent with requirements of the rate formula.

In the individual orders, FERC directed:

- Louisville Gas & Electric Co. and Kentucky Utilities Co., and UNS Electric Inc., which lack protocols, to propose formula rate protocols addressing concerns outlined by FERC, or explain why they should not be required to do so.
- The Empire District Electric Co., Westar Energy Inc., and Kansas City Power & Light Co. and KCP&L Greater Missouri Operations Co. to revise existing protocols under their respective open access transmission tariffs and/or the Southwest Power Pool tariff to address concerns outlined by FERC, or explain why they should not be required to do so.
- Black Hills Power Inc., as joint administrator, to revise the formula rate protocols under the joint open access transmission tariff for Black Hills, Basin Electric Power Cooperative and Powder River Energy Corp. to address concerns outlined by FERC, or explain why it should not be required to do so.

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