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State Corporation Commission
of Kansas

BEFORE THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

In The Matter Of the Joint Application Of Westar Energy, Inc. and Kansas Gas And Electric Company for Approval to Make Certain Changes in their Charges for Electric Service.	)))))	KCC Docket No. 18-WSEE-328-RTS

DIRECT TESTIMONY OF

STACEY HARDEN

ON BEHALF OF

CITIZENS' UTILITY RATEPAYER BOARD

JUNE 11, 2018

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I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Stacey Harden. My business address is 1500 SW Arrowhead Road, Topeka, Kansas 66604.

Q. By whom are you employed and in what capacity?

A. I am employed by the Citizens' Utility Ratepayer Board ("CURB") as a Senior Regulatory Analyst.

Q. Please describe your educational background.

A. I earned a Bachelor of Business Administration degree from Baker University in 2001. I earned a Master of Business Administration degree from Baker University in 2004.

Q. Please summarize your professional experience in the utility industry.

A. I served as a Regulatory Analyst for the Citizens' Utility Ratepayer Board from February 2008 until March 2016. I rejoined CURB in September 2017 as a Senior Regulatory Analyst.

Q. Have you previously testified before the Commission?

A. Yes. I have previously offered both written and live testimony in over twenty-five proceedings before the Kansas Corporation Commission ("Commission"). A list of these dockets is available upon request.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. On February 1, 2018, Westar Energy, Inc. and Kansas Gas and Electric Company (collectively "Westar" or "Company") filed an Application with the Commission seeking a two-stage base rate increase. In addition to its request for a two-stage base rate increase, Westar has also proposed new voluntary rate choices for its residential customers, a new rate for electric public transit vehicles, and a new rate class for residential customers with distributed generation ("DG"). In my testimony I will summarize the impact of the Commission's Order approving the Merger between Westar and Kansas City Power and Light Company ("KCPL") in Docket 18-KCPE-095-MER ("095 Docket" or "Merger Docket"). Additionally, I will provide testimony describing Westar's 2015 request for wind ownership, and will provide comments on Westar's new residential rate offerings. My testimony will supplement the testimony of CURB's revenue requirement witness, Ms. Andrea Crane, and CURB's rate design and cost allocation witness, Mr. Brian Kalcic.

III. SUMMARY OF RECOMMENDATIONS

Q. Please summarize the recommendations made in your testimony.

A, Based on my analysis of Westar's Application and discovery issued in this case, my recommendations are as follows:

1. I recommend the Commission deny Westar's request to include the costs of the Western Plains Wind Farm in rate base, and instead treat the acquisition of energy from the Western Plains Wind Farm similar to a PPA, as described in the

testimony of CURB witness Ms. Andrea Crane.

2. I recommend Westar's voluntary Residential Peak Efficiency Rate and Residential Electric Vehicle Rate be approved with the following conditions:
    - Westar will submit an annual report to the Staff and CURB that includes the number of customers participating in the voluntary programs, the number of customers that chose to opt-out, and a report regarding the participants' change in energy consumption;
    - the programs will be non-permanent, or pilot, programs;
    - participation in each program is limited to 1,000 customers;
    - after a customer's initial one-year agreement ends, the customer's participation will automatically continue until the customer requests to be placed back into the residential standard tariff;
    - customers are granted a one-time opt-out provision at any time during their participation in the voluntary programs; and
    - any customer that utilizes the single opt-out provision to return to the residential standard tariff, should not be permitted to switch back into the voluntary rate during the term of the pilot period.
3. I recommend the Commission deny Westar's proposal to defer the difference in revenue received from customers participating in the voluntary rate programs as compared to what revenue otherwise would have been received if the customers remained on the residential standard rate for inclusion in its next rate case.
4. I recommend the proposed residential DG tariff be approved with the following conditions:

- The Commission should approve the customer charge, demand charge, and energy charges set forth in Brian Kalcic's testimony;
- Westar should provide a detailed annual report to Staff and CURB that includes the number of residential DG customers taking service from the RS-DG, the demand charge and energy charge during the year, analysis regarding the customers' change in energy consumption, and a report of the bill impacts for each RS-DG customer;
- Westar will file a new cost of service study for the purpose of examining potential rate design alternatives for residential DG customers in its first general rate case following the five-year moratorium; and
- If the Commission rejects CURB's proposed RS-DG rates, and approves a rate increase for the RS-DG class, any increase in the mandatory DG rates should be gradually phased-in over a five-year period.

IV. <u>IMPACT OF THE MERGER</u>

Q. Please summarize the terms of the Merger approved by the Commission.

A. On May 24, 2018, the Commission approved a non-unanimous Settlement Agreement ("Agreement") in the Merger Docket by determining that the Agreement and the Merger were in the public interest. The key terms in the Settlement Agreement include:

- The new holding company ("Evergy") will maintain operating headquarters in both Topeka, Kansas and Kansas City, Missouri. Evergy will maintain a headquarters in Topeka for at least ten years after the merger closes;
- Evergy will maintain its charitable giving and community involvement in the

respective KCPL and Westar service territories at the 2015 levels, or higher, for at least five years after the close of the merger;

- There will be no involuntary severances as a result of plant closings, all collective bargaining agreements will be honored, and employees will receive compensation and benefits comparable to current levels for at least two years after the merger closes;
- Following the merger, the Evergy board will initially be composed of an equal number of directors selected by Westar and Great Plains;
- Evergy, KCPL, and Westar will maintain separate capital structures and separate debt. Evergy's consolidated debt shall not exceed 65% of total capital, and neither KCPL nor Westar debt shall exceed 60% of total capital;
- Following the merger, Westar retail electric customers will receive one-time bill credits totaling $23,065,299, and KCPL Kansas retail electric customers will receive one-time bill credits totaling $7,514,220;
- For the period of 2019 through 2022, Westar retail electric customers will receive annual bill credits of $8,649,487, and KCPL Kansas retail electric customers will receive annual bill credits of $2,817,832;
- Westar's Merger-related savings achieved in the 2018 rate case will be $22.5 million. If there is a shortfall, then an additional adjustment will be made to impute into retail rates the shortfall to achieve a total of Merger-related savings benefiting Westar's retail rates of $22.5 million;
- Following the respective 2018 KCPL and Westar rate cases, both utilities will experience a five-year base rate moratorium, provided their authorized return on

equity ("ROE") is at least 9.3%. The Signatories to the Agreement agreed to recommend a 9.3% ROE in both of the utilities' 2018 rate cases. However, the recommendations are not binding on the Commission;

- Applicants agreed to forego their ability to demonstrate or utilize under earnings at the time of the federal tax law changes as an offset to benefits due to customers;
- KCPL and Westar will file Earnings Review and Sharing Plans ("ERSP") for each year from 2019-2022. If the utilities exceed their authorized ROE, the overearnings will be shared equally with retail electric customers;
- Transition costs will be limited to $50 million on a total combined company basis, and the Kansas jurisdictional portion will be amortized over ten years;
- Evergy commits to not increasing retail rates for KCPL and Westar customers as a result of the merger;
- KCPL and Westar will file annual quality of service reports. Any penalties relating to quality of service will be used to improve quality of service and shall not be recovered from customers;
- The Signatories to the Agreement recommend the opening of a compliance docket in which KCPL and Westar will track and update the status of the merger integration process, including data on employee headcounts, and efficiencies resulting from the merger; and
- Evergy will honor the financial commitments undertaken in the 01-KCPE-708-MIS Docket.

Q. Do the terms of the Agreement approved by the Commission require certain adjustments to Westar's request for a two-step rate increase?

A. Yes. Per the terms of the Agreement, CURB witness Andrea Crane has recommended four adjustments to Westar's cost of service.

First, the Agreement specifies that during Westar's 2018 rate case, $22.5 million of Merger savings will be reflected in rates. At the time of its application, which was prior to the Commission's Order approving the Merger, Westar included $11,119,389 in Merger-related savings. As a result of the Merger conditions, an adjustment of $11,380,611 is made to recognize the $22.5 million in Merger-related savings.[1]

Second, the Agreement specifies that transition costs for Westar shall be limited to $23,183,133. The transition costs will be recoverable through amortization over ten years, beginning in the 2018 rate case. At the time of its application, which was prior to the Commission's Order approving the Merger, Westar included $35,667,952 in transition costs to be amortized over a five year period. As a result of the Commission-approved Merger agreement, an adjustment of $12,484,819 is made to reduce transition costs to $23,183,133. This amount will be recovered through amortization over a ten-year period.[2]

Third, the signatories to the Agreement in the Merger Docket agreed to recommend the Commission approve a cost of equity of 9.3% in the 2018 general rate cases of both KCPL and Westar. Westar's application, which was filed before the Commission's Order approving the Merger, requests a cost of equity of 9.85%. As a

[1] Direct Testimony of Ms. Andrea Crane, at Schedule ACC-16.
[2] Direct Testimony of Ms. Andrea Crane, at Schedule ACC-17.

signatory to the Agreement, CURB is recommending the Commission approve a cost of equity of 9.3% for Westar, and has made the necessary adjustment to reduce Westar's cost of equity from 9.85% to 9.3%.[3]

Fourth, the Agreement provides that the ERSP will utilize the actual capital structure for Westar, subject to a cap of 51% common equity in the 2019 reporting year. Westar's application, which was filed prior to the Commission's Order approving the Merger, reported common equity of 51.36%. As a result of the Commission's Order approving the Agreement, an adjustment was made to reflect common equity of 51%.[4]

Q. Are there conditions in the Merger that do not require an adjustment to Westar's application?

A. Yes. As part of the Agreement, Westar and KCPL agreed to forego their ability to demonstrate or utilize under earnings at the time of the federal tax law changes as an offset to benefits due to customers. In Westar's application, Westar proposed that the amount of revenue deferred as a result of the Tax Cuts and Jobs Act ("TCJA") would be refunded to ratepayers through a bill credit within 120 days of an order in its base rate case. Because Westar has proposed a one-time bill credit, there is no adjustment necessary in its base rate case.

[3] Direct Testimony of Ms. Andrea Crane, at Schedule ACC-2.
[4] *Id.*

V. WESTERN PLAINS WIND FARM

Q. Please summarize CURB's recommendation regarding the Western Plains wind farm.

A. In direct testimony, Andrea Crane recommends the Commission deny Westar's request to include the costs of the Western Plains Wind Farm in rate base. Ms. Crane instead recommends that the Commission treat the acquisition of energy from the Western Plains Wind Farm similar to a PPA.

Q. Please summarize why Ms. Crane recommends the Western Plains Wind Farm be excluded from rate base.

A. Ms. Crane's recommends the Western Plains Wind Farm be excluded from rate base for a number of reasons including:

- Westar's decision to invest in the Western Plains Wind Farm was driven by economic considerations, as opposed to a need to procure additional generation in order to meet its service commitments;
- the $417 million investment in the Western Plains Wind Farm will provide Westar's shareholders the opportunity for significant additional earnings;
- under Westar's proposal, ratepayers bear essentially all of the risk associated with fuel prices, capacity factors, market prices, and other factors; and
- as a result of meetings held in late 2015 regarding the potential acquisition of additional wind generating resources, Staff concluded that it could not support an ownership option.

Q. Did you participate in the meetings with Staff and Westar regarding the acquisition of potential wind resources in 2015?

A. Yes, I did. Beginning in early November of 2015, I participated in several discussions with Westar and Staff regarding Westar's proposal to acquire additional wind resources.

Q. Can you please describe the meetings and describe the proposal being forwarded by Westar?

A. Yes. During the meetings with Westar and Staff, Westar indicated that it had issued requests for proposals earlier in 2015 and was interested in moving forward with the future acquisition of 480 MW of wind generation. Westar provided models to support its request to construct and own 380 MW of wind generation, as well as its request to acquire an additional 100 MW of wind generation through a power purchase agreement ("PPA"). I participated in meetings over a six week period beginning in November 2015 to discuss Westar's proposal for possible wind acquisitions. Present at these meetings were Westar representatives Jeff Martin, Rebecca Fowler, John Bridson, John Grace, Don Ford, as well as several members of the Commission's Staff.

There were multiple conversations regarding the proposed Clean Power Plan and what the impact of potential carbon regulation would be for Westar. Additionally, Westar expressed its concern that production tax credits, which at the time were available for new wind generation placed in service before December 31, 2016, would not be reauthorized and available in the future. Westar expressed its concern that if the production tax credits expired at the end of 2016, the future cost of wind generation would more than double.

In December 2015, Westar provided to Staff and CURB its proposed testimonies regarding the acquisition of new wind generation. In addition to seeking Commission approval of the acquisition of new wind generation, Westar indicated it was seeking approval of Construction Accounting treatment and an incentive mechanism that would reward Westar if it performed above expectations and penalize Westar if it performed below expectations with respect to the capacity factor of the 380 MW of wind Westar was proposing to own.

Q. Did Staff agree with Westar's proposal?

A. No. On December 10, 2015, Staff informed Westar that it could not support Westar's proposal to construct and own 380 MW of new wind resources. Staff identified seven concerns regarding Westar's proposal. Among its concerns, Staff identified that Westar "does not currently need additional capacity nor does it need the energy from the proposed wind generation assets." Staff also identified that Westar's proposal "places too much risk on ratepayers."[5]

Q. You testified that Westar was concerned about the potential expiration of the production tax credit. Did the production tax credits expire?

A. No they did not. On December 18, 2015, Congress extended the production tax credits, which were scheduled to expire at the end of 2016, through 2019.

[5] Staff's December 10, 2015 letter to Westar regarding the possible purchase of wind generation assets was provided in an email from Jeff McClanahan, sent to Jeff Martin (Westar) and copied to Stacey Harden (CURB). A copy of this letter was provided by Westar in its response to CURB DR-40.

Q. On what day did Westar finalize its ownership agreement for the Western Plains wind farm?

A. Westar finalized its agreement to construct and own 280 MW of wind at the Western Plains wind farm on December 21, 2015.[6]

Q. So, within days after Staff indicated it could not support an ownership option and Congress extended the production tax credits through 2019, Westar made the decision to enter into an ownership agreement for the Western Plains Wind Farm?

A. Yes, that is true.

Q. Were you surprised by Westar's decision to pursue the ownership of additional wind resources?

A. Not really. It was clear to me, based upon the meetings I attended and the discussions had by the parties, that Westar desired to not just acquire additional wind resources, but to **own** additional wind generation, and that absent an agreement with Staff and CURB, Westar would assume the risk associated with pursuing the ownership of additional wind resources.

Q. **What is your recommendation regarding Westar's Western Plains Wind Farm proposal?**

A. I agree with the recommendation set forth by CURB witness Ms. Andrea Crane that the

[6] Westar response to CURB DR-39.

Commission deny Westar's request to include the costs of the Western Plains Wind Farm in rate base and instead treat the acquisition of energy from the Western Plains Wind Farm similar to a PPA. I further recommend the Commission adopt the adjustments set forth in Ms. Crane's testimony.

VI. VOLUNTARY RATE CLASSES & LOST REVENUE RECOVERY

Q. Please describe Westar's proposed Residential Peak Efficiency Rate.

A. Westar is proposing a new rate called the Residential Peak Efficiency Rate ("RPER"). According to its application, Westar is offering this rate to promote off-peak residential efficiency initiatives. Customers who participate in the RPER will have a three-part rate that will provide an incentive to shift demand to the off-peak hours. As part of the three-part rate, Westar is proposing that customers participating in the RPER program pay the same basic monthly service fee as customers in the residential standard class, as well as a demand charge and a reduced energy charge.

The proposed RPER program is voluntary for residential customers. According to Westar witness Larry Wilkus, customers who volunteer for the RPER rate will not be able to switch back to the residential standard rate for a term of one year in order to mitigate the adverse effects of rate switching. However, Mr. Wilkus further testifies that if a customer determines that the RPER rate is not the best fit based on their circumstances, Westar will allow customers a one-time opt-out of the one-year requirement.

Q. How will the customer's monthly demand be determined?

A. According to the language in Westar's tariff, the customer's demand is the average kilowatt load during the sixty minute period of maximum use that occurs in the demand billing period. The demand period is from 2:00 PM – 7:00 PM, except for weekends, New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. Table 1 provides an illustration of a hypothetical customer's maximum daily demand on weekdays over the course of a month. If this customer participates in the RPER tariff, the customer's monthly demand charge would equal 10 kW times the seasonal monthly demand rate.

Table 1.

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
28	29	30	31	1 **6 kW**
4 **6 kW**	5 **6 kW**	6 **7 kW**	7 **6 kW**	8 **7 kW**
11 **6 kW**	12 **8 kW**	13 **7 kW**	14 **6 kW**	15 **10 kW**
18 **8 kW**	19 **6 kW**	20 **8 kW**	21 **7 kW**	22 **8 kW**
25 **6 kW**	26 **7 kW**	27 **6 kW**	28 **8 kW**	29 **7 kW**

Q. Are you recommending changes to Westar's proposed RPER tariff?

A. Yes. First, I recommend the RPER tariff be approved as a non-permanent tariff, or pilot, that would be in effect until Westar's first general rate case following its five-year base rate moratorium. During the pilot period, I recommend Westar provide a detailed annual report to Staff and CURB that includes the number of customers participating in the RPER tariff, the number of customers that chose to opt-out of the RPER during the year, and a report regarding the participants' change in energy consumption. As I will discuss later in testimony, I am also recommending detailed reporting requirements for Westar's proposed REVR and RS-DG. While the reports can be filed simultaneously, the data and information in the reports should be unique to each tariff.

Second, I recommend participation in the RPER tariff be limited to 1,000 residential customers. However, during the pilot period Westar may petition the Commission to increase this limit if customer demand for the tariff exceeds 1,000 customers.

Third, I recommend that after a customer's initial one-year agreement ends, the customer's participation in the RPER program remains in effect as long as the RPER tariff is in effect, or until the customer requests to be placed back into the residential standard tariff. For example, if a customer voluntarily signs up for the RPER program on November 1, the initial one-year agreement would terminate on October 31 of the following year. At that time, the customer can either opt-out of the RPER program and be placed back into the residential standard tariff, or be allowed to continue as a participant in the RPER program.

Fourth, I recommend customers be granted a one-time opt-out provision at any time during their participation in the RPER tariff. Because I have recommended that customers be allowed to remain in the RPER program after the expiration of their initial one-year agreement, I am recommending that customers be allowed to use the one-time opt-out provision at any time during their participation in the RPER program. For example, if a customer continues its participation in the RPER program after the end of the initial one-year agreement, but then experiences a life change six months later that causes the RPER tariff to no longer be a good fit based on their circumstances, I recommend that the customer be allowed to opt-out of the RPER program at that time.

Finally, I recommend that during the RPER's pilot period any customer that utilizes the single opt-out provision to return to the residential standard tariff, not be permitted to switch back into the RPER tariff during the term of the pilot period.

Q. Why do you recommend the RPER tariff be approved as a non-permanent or pilot tariff?

A. It is my understanding that Westar's proposed RPER tariff would be among the first residential demand rates approved by the Commission. I generally agree with Mr. Wilkus that there is a lack of experience with this type of tariff for some customers. However, Mr. Wilkus stops short of identifying that there is also a lack of experience with residential demand rates for the Commission, Staff, CURB and Westar. Approving the RPER tariff as a non-permanent, or pilot, tariff will allow the Commission to easily adopt changes to the program once all parties better understand the impact of the RPER program on residential customers.

Q. Please describe Westar's proposed Residential Electric Vehicle Rate.

A. Westar is proposing a new rate called the Residential Electric Vehicle Rate ("REVR"). This tariff is aimed at promoting off-peak charging of electric vehicles. Westar proposes that this tariff be identical to the RPER, but with different terms and conditions. The REVR is only available to residential customers who purchase or lease a plug-in electric vehicle ("EV") and charge the vehicle at their primary residence. Customers who participate in the REVR will have a three-part demand rate that will promote charging of the customer's EV during off-peak hours. As part of the three-part rate, Westar is proposing that customers participating in the REVR program will pay the same basic monthly service fee as customers in the residential standard class, as well as a demand charge and a reduced energy charge. Westar's proposed REVR three-part rate is identical to the RPER rate.

Q. Did Westar propose that customers participating in the REVR be afforded a one-time opt-out of the one-year agreement?

A. No. Unlike the RPER tariff, I cannot find any reference in Westar's application or the testimony provided in support of its application that indicates customers participating in the voluntary REVR program will be allowed to opt-out during the initial one-year agreement.

Q. Should customers in the REVR program be allowed a one-year opt-out provision, the same as customers participating in the RPER program?

A. In my opinion, yes. The two programs are virtually identical, with the exception that customers participating in the REVR program must own or lease an EV.

Q. Are you recommending changes to Westar's proposed REVR tariff?

A. Yes. I am recommending the same changes to the REVR as I addressed earlier for the RPER tariff.

Q. Please describe Westar's request to recover revenues lost as a result of customer participation in the RPER and REVR programs.

A. Westar is seeking Commission approval to defer the difference in revenue received from customers participating in the RPER and REVR tariffs as compared to what revenue otherwise would have been received if the customers remained on the residential standard rate. Westar proposes to establish a deferred regulatory asset/liability account to record the difference in revenue for inclusion in the next rate case.

Q. Do you recommend the Commission approve Westar's request to defer the difference in revenue for inclusion in its next rate case?

A. No I do not. I recommend the Commission deny Westar's request for two reasons. First, the revenues lost as a result of customer participation in the RPER and REVR tariffs are immaterial and will likely not jeopardize Westar's financial integrity. Westar witness Ahmad Faruqui provides testimony on the revenue loss Westar will experience if the RPER and REVR tariffs are approved by the Commission. Mr. Faruqui testifies that "(o)n average, the option to switch could lead to bill savings of up to around 2.4 percent ($3.20/month) for those customers who switch, with some customers saving more or less than this. These bill decreases due to rate switching will equate to revenue loss for Westar."[7] I have recommended the RPER and REVR tariffs be limited to 1,000 customers. If the Commission adopts my recommendation, assuming 1,000 customers volunteer in both the RPER and REVR programs, using Mr. Faruqui's estimate of $3.20 per month in average bill savings, Westar will experience an annual reduction in revenues

[7] Direct Testimony of Ahmad Faruqui, at pages 39-40.

of $76,800 or 0.0037% of the operating revenue reported by Westar in this case.[8]

Second, the Commission has previously rejected the recovery of lost revenues or margins. In its Order in Docket No. 12-GIMX-337-GIV ("337 Docket"), the Commission stated:

- "(g)iven the current economic and regulatory environment, the Commission is disinclined to allow lost margin recovery,"
- "allowing recovery of lost margin creates a subsidy for energy efficiency programs that can violate the fundamental ratemaking principle of cost causation,"
- "under the principle of cost causation, the participants in the energy efficiency programs alone should be responsible for any reduction in revenue resulting from the energy efficiency program," and
- "(i)n general, the Commission will not allow recovery for lost margins."[9]

Q. Should the Commission's Order in the 337 Docket be used to evaluate Westar's request to recover revenues lost as a result of participation in the RPER and REVR tariffs?

A. Yes. Westar's proposed RPER and REVR tariffs are demand-response programs, designed to shift a customer's use to non-peak hours. Therefore, the Commission's previous orders regarding lost revenue recovery mechanisms is relevant and should be

[8] $3.20/month * 12 months = $38.40/year per customer. $38.40/customer * 1,000 customers = $38,400 annual revenue lost per tariff. Westar is proposing two tariffs, therefore the total amount of revenues lost is $38,400*2 = $76,800. According to the application, Westar's current operating revenue equals $2,069,475,447.
[9] March 6, 2013, Docket No. 12-GIMX-3237-GIV, Order.

considered in this proposal.

VIII. ELECTRIC VEHICLE CHARGING STATIONS

Q. Please describe Westar's new rate for Electric Vehicle charging stations ("CCN").

A. Westar's proposed rate schedule CCN is based very closely on a current KCPL tariff. The CCN tariff establishes rates for EV charging stations at Westar sites and at third-party ("Host") sites.

Q. Are you recommending changes to Westar's proposed CCN tariff?

A. No, I am not recommending changes to Westar's proposed CCN tariff, but I do have a concern about existing Westar charging stations. In its response to KCC-301, Westar indicated that it has 36 charging stations that are available for public use, but that only one of the publicly accessible charging stations is equipped with the necessary hardware and software to meet the conditions of the proposed CCN tariff. Because the CCN tariff is applicable to all energy provided to charge EVs at the Company's public EV charging stations, Westar's publicly accessible charging stations that do not have the hardware or software to be served through the CCN tariff should no longer be publicly accessible. Westar does report in KCC-301 that the remaining EV charging stations that are not served under the CCN tariff will continue to be managed as company official sites. But it is unclear from Westar's response if the company official sites will be publicly accessible.

IX. RESIDENTIAL STANDARD DISTRIBUTED GENERATION RATE

Q. Please describe Westar's proposed restructuring of the Residential Standard Distributed Generation ("RSDG") rate.

A. Westar is proposing a mandatory three-part rate design for residential DG customers. The proposed RSDG rate would be mandatory for residential customers who installed DG after October 28, 2015. As part of the three-part rate, Westar is proposing that customers taking service under the RS-DG tariff will be charged an $18.50 basic service fee (this is the same basic service fee Westar proposed for all residential customers), a demand charge of $3.15 per kW during the winter period and $9.45 per kW during the summer period, and an energy charge of $0.069173 per kWh.

Q. How will the DG customer's monthly demand be determined?

A. The residential DG customer's monthly demand will be calculated in the same way as the RPER and REVR tariffs. The customer's demand will be the average kilowatt load during the sixty minute period of maximum use that occurs in the demand billing period. The demand period is from 2:00 PM – 7:00 PM, except for weekends, New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Q. Why has Westar proposed the RS-DG rate in its Application?

A. The Commission Order in Docket No. 16-GIMX-403-GIV stated that "(s)pecific to Westar, the Commission finds Westar's Distributed Generation Residential Rate Schedule implemented in Westar's last rate case shall remain in place and effective for all residential customers installing distributed generation on or after October 28, 2015, and shall be treated as a separate class for purposes of future class cost of service studies and ratemaking generally."[10]

Q. Are you concerned about the potential bill impacts for residential DG customers if Westar's proposed changes are approved?

A. Yes. According to Mr. Faruqui's testimony, he conducted a study using a full year of load data for thirty-one of Westar's residential DG customers. Mr. Faruqui's calculations show that based on the RS-DG tariff as it exists today, Westar receives $893 in annual revenue from an average DG customer. However, according to the Class Cost of Service study provided by Westar in this case, Westar should receive $1,341 in annual revenue from an average residential DG customer. According to Mr. Faruqui, this would result in a necessary average rate increase of $448 annually – or 50 percent across all DG customers.

Additionally, unlike the RPER and REVR tariffs, which were voluntary for residential customers, **<u>all</u>** residential customers who installed DG after October 28, 2015, will be required to take service under a three-part demand rate. If a residential customer is unable to respond favorably to the price signals provided in the three-part demand rate because of certain life circumstances, that customer may experience rate shock from bills that are substantially higher than they had been in the past.

[10] KCC Docket No. 16-GIME-403-GIE, *Final Order*, September 21, 2017, at ¶21.

Q. Do you have a recommendation to the Commission regarding Westar's proposed DG tariff?

A. Yes, I have three recommendations. First, based on the cost of service and rate design analysis provided by CURB witness Brian Kalcic, I recommend the Commission approve Mr. Kalcic's recommended rates for the RS-DG class. Mr. Kalcic's recommended rates for the RS-DG class include a $14.50 basic service fee, a demand charge of $2.46 per kW during the winter period and $7.39 per kW during the summer period, and an energy charge of $0.053452 per kWh.

Second, I recommend Westar provide a detailed annual report to Staff and CURB that includes the number of residential DG customers taking service from the RS-DG, the total demand and energy charges paid during the year, analysis regarding the customers' change in energy consumption, and a report of the bill impacts for each RS-DG customer. Previously in my testimony, I recommended detailed reporting requirements for Westar's proposed RPER and REVR tariffs. While the RS-DG, RPER and REVR reports can be filed simultaneously, the data and information in the reports should be unique to each tariff.

Finally, I recommend that Westar file a new cost of service study for the purpose of examining potential rate design alternatives for residential DG customer in its first general rate case following the five-year moratorium.

Q. Do you have an alternative recommendation if the Commission were to reject CURB's RS-DG propose rates?

A. Yes. If the Commission rejects the RS-DG rates proposed by Mr. Kalcic, and instead approves increased RS-DG rates, I recommend the rate increase be gradually phased in over a five-year period. Implementing the increase over a five-year period would allow residential DG customers to better respond to price signals, and to avoid potential rate shock that may result if a sudden increase in their rates is combined with the switch to a three-part rate design. Additionally, a phase-in of increased rates would allow Westar's required customer education program more time and opportunity to educate the residential DG customers on how they can respond to the price signals that arise from the three-part demand rate before the full RS-DG increase takes effect.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

I, Stacey Harden, of lawful age and being first duly sworn upon my oath, state that I am a Senior Regulatory Analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.

Stacey Harden

SUBSCRIBED AND SWORN to before me this 11th day of June, 2018.

DELLA J. SMITH
Notary Public - State of Kansas
My Appt. Expires Jan. 26, 2021

Notary Public

My Commission expires: 01-26-2021.

APPENDIX A

Referenced Data Requests:

CURB-39
CURB-40

Home Page Change Password

Tuesday, June 08, 4348
Logged in as: [**Stacey Harden**] Logout

Docket: [18-WSEE-328-RTS] 2018 Rate Review
Requestor: [CURB] [Thomas Connors]
Data Request: CURB-39 :: Wind Farm
Date: 0000-00-00

Question 1 (Prepared by Don Ford)
What date was the agreement signed with Infinity Wind Power related to the ownership of 281 MWs of wind generation at the Western Plains wind farm?

Response:
Two separate negotiations were consummated with Infinity for the Western Plains development. The first was Westar's acquisition of the Ironwood facility, land leases of which were incorporated into Western Plains, dated January 15, 2010. The second added additional property and other interests and was dated December 21, 2015.

Attachment File Name	Attachment Note
Don Ford Verification.39.pdf	

Verification of Response

Westar Energy, Inc.

Docket No. 18-WSEE-328-RTS

I have read the foregoing Information Request(s) and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signed: Jason Thomas Fortik

Title: Dir., Renewable Business Solutions

Home Page Change Password

Saturday, June 08, 4363
Logged in as: **[Stacey Harden]** Logout

Docket: [18-WSEE-328-RTS] 2018 Rate Review
Requestor: [CURB] [Thomas Connors]
Data Request: CURB-40 :: Wind generation resources
Date: 0000-00-00

Question 1 (Prepared by Jeffrey Martin)
Please provide the letter regarding Westar's acquisition of additional wind generation resources that was authored by Jeff McClanahan and delivered via email to Jeff Martin on December 10, 2015.

Response:
The basis for Westar's decision to own Western Plains wind farm and the benefits resulting from that ownership are fully addressed in the testimony of John Bridson that was filed in this docket. The concerns that Staff pointed out in the attached letter "Westar's Possible Purchase of Wind Generation Assets" provided feedback based on data available at a specific point in time. This feedback caused Westar to perform additional analysis and derive approaches to the wind project and proposed regulatory treatment for the wind farm that we believe address the concerns in Staff's letter. The results of that additional analysis are presented here in summary. After reviewing the pricing results of the June 2015 RFP, Westar determined that it would be prudent to add new wind generation. The pricing offered was the lowest ever received by Westar and was competitive with the current dispatch costs of Westar's lowest cost natural gas units. Production tax credits (PTCs) that were available for wind generation made the addition of such wind generation economic for customers. In addition to the fact that wind ownership made sense for customers from a pure economic standpoint, the carbon reduction benefits were attractive to help achieve full compliance with the Clean Power Plan and any potential future regulations. From our customers' perspective, our analysis showed that ownership was the long-term best option based on: • Ownership was simply a lower cost option for customers in comparison to a 20-year PPA. • A residual value of the project after 20 years would not be available to customers under a PPA. • Results of an updated depreciation analysis that potentially lengthens the useful life of wind assets, which would lower the cost of ownership even further. Additionally, in our filing, Westar is offering an option for a levelized revenue requirement approach that will help address concerns about intergenerational inequities and reduce the initial cost to customers in the earlier years of the wind farm's life. This approach, just like a PPA, spreads out the benefits of PTCs over a longer period of time - 20-years in our proposal. See attached letter dated 12/10/2015. "CURB-40 - KCC Staff Letter.pdf"

Attachment File Name	Attachment Note
CURB-40 - KCC Staff Letter.pdf	
Jeff Martin Verification 40.pdf	

Utilities Division
1500 SW Arrowhead Road
Topeka, KS 66604-4027

Kansas
Corporation Commission

Phone: 785-271-3165
Fax: 785-271-3357
http://kcc.ks.gov/

Shari Feist Albrecht, Chair
Jay Scott Emler, Commissioner
Pat Apple, Commissioner

Sam Brownback, Governor

December 10, 2015

Jeff Martin
Vice President, Regulatory Affairs
Westar Energy
800 S. Kansas Ave.
Topeka, Kansas 66601

Re: Westar's Possible Purchase of Wind Generation Assets

Dear Jeff,

As you know, Westar began discussions with KCC Staff on October 8, 2015 regarding the possibility of acquiring additional wind generation resources to Westar's existing generation fleet. Westar's analysis proposes entering into purchase power agreements (PPA) for approximately 100 MWs and owning approximately 380 MWs. Westar and Staff have met several times over the last few weeks to discuss whether the lowest cost alternative is in the form of a PPA or owning wind generation assets. Westar has provided its models used to evaluate the lowest cost options and explained the rationale behind the model inputs. Staff is very appreciative of Westar's candor and assistance.

Knowing that Westar has to decide whether to acquire an ownership stake in the wind resources by the end of this week, Staff is prepared to let Westar know our thoughts on the ownership option. At this point, Staff remains unconvinced that ownership of wind generation resources is the lowest cost option. Our position is primarily based on the following:

- Westar indicates that it does not currently need additional capacity nor does it need the energy from the proposed wind generation assets. However, Westar's RFP and analysis indicates that the current pricing for both PPAs and ownership are at some of the lowest prices ever seen. While Staff appreciates Westar's initiative to search for low cost power, we do have concerns that additional low cost energy that is not needed will displace existing generation assets in Westar's fleet. According to re-dispatch models provided by Westar, there is some displacement of coal units that have expensive environmental equipment. Some small level of displacement may be appropriate, but further evaluation and consideration of the impact on coal units is warranted.
- The ownership model relies on capacity factors (50% or higher) that are significantly higher than current performance metrics indicate. We understand Westar believes that new technologies that are just now being deployed will enable 50% or greater capacity factors; however, Staff believes there is significant

risk to ratepayers given the lack of proven performance metrics on the new technologies.

- Westar's models demonstrate that small deviations in reduced capacity factors (as low as 3%) produce a levelized NPV that is greater than the current prices for PPA options.
- The ownership model is based on an in-service life of 30 years, a 20-year depreciation schedule, and no capital expenditures to extend the life of the assets beyond the traditional 20 year in-service life. Westar indicates that it believes it can operate the wind assets approximately 10 years longer. Westar also indicates that it has not included any additional capital expenditures because it would have to impute a market value of a PPA after 20 years, without a production tax credit, in order to compare the ownership option to the PPA option. Therefore, Westar's levelized NPV analysis is based on 30 years of ownership compared to a 20 year levelized NPV of a PPA. We believe that a comparison of a 20 year PPA to a 20 year ownership or a 30 year ownership with additional capital expenditures compared to a new PPA in year 21 is more appropriate.
- Both the initial O&M costs per MWh, and the escalation factors in the O&M and capital expenditures during the initial 20 year life in the ownership option are lower than research Staff has on hand.
- While we recognize that Westar will consider a risk sharing mechanism based on Bob Glass' recommendations from a prior docket, we are unsure at this point if the mechanism is adequate to provide appropriate ratepayer protection.
- Given that Westar's primary motivation behind this proposal is to reduce customer's overall bills by displacing higher cost power in Westar's fleet, we remain troubled by the intergenerational inequities that are present with the ownership option. A review of Westar's modeling of the yearly revenue requirement $/MWh for the wind ownership option suggests very low cost power for the first ten years, followed by much higher cost power above Westar's avoided cost of generation in the second ten years. This intergenerational inequity could be avoided by a PPA option, with spreads out the benefit of the PTC over the life of the agreement.

Based on our review of Westar's analysis, Staff currently believes an ownership option places too much risk on ratepayers. In addition, when Staff stress tested the ownership model based on very slight variations in model assumptions, the model's levelized NPV exceed that of a PPA on a $/MWh basis. Therefore, Staff cannot currently support an ownership option. However, we recognize that it is possible that a more comprehensive review could lead to a different determination. Again, we appreciate Westar's efforts and candor during this process and please let me know if you have any questions.

Sincerely,

Jeff McClanahan
Director, Utilities Division

Verification of Response

Westar Energy, Inc.

Docket No. 18-WSEE-328-RTS

I have read the foregoing Information Request(s) and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signed: ______________________

Title: VP, Regulatory Affairs

CERTIFICATE OF SERVICE

18-WSEE-328-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 11th day of June, 2018, to the following:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067
jflaherty@andersonbyrd.com

KURT J. BOEHM, ATTORNEY
BOEHM, KURTZ & LOWRY
36 E SEVENTH ST STE 1510
CINCINNATI, OH 45202
kboehm@bkllawfirm.com

JODY KYLER COHN, ATTORNEY
BOEHM, KURTZ & LOWRY
36 E SEVENTH ST STE 1510
CINCINNATI, OH 45202
jkylercohn@bkllawfirm.com

MARTIN J. BREGMAN
BREGMAN LAW OFFICE, L.L.C.
311 PARKER CIRCLE
LAWRENCE, KS 66049
mjb@mjbregmanlaw.com

DANIEL R. ZMIJEWSKI
DRZ LAW FIRM
9229 WARD PARKWAY STE 370
KANSAS CITY, MO 64114
dan@drzlawfirm.com

DAVID BENDER
EARTHJUSTICE
3916 Nakoma Road
Madison, WI 63711
dbender@earthjustice.org

SHANNON FISK, ATTORNEY
EARTHJUSTICE
1617 JOHN F KENNEDY BLVD
SUITE 1675
PHILADELPHIA, PA 19103
sfisk@earthjustice.org

JILL TAUBER
EARTHJUSTICE
1625 Massachusetts Ave., NW
Suite 702
Washington, DC 20036
jtauber@earthjustice.org

ELIZABETH A. BAKER
6610 SW 29th St.
Topeka, KS 66614
betsy@bakerlawks.com

GREG WRIGHT
EMG, INC.
420 NE LYMAN RD.
TOPEKA, KS 66608
greg@emgnow.com

DAVID BANKS, CEM, CEP
FLINT HILLS ENERGY CONSULTANT
117 S PARKRIDGE
WICHITA, KS 67209
david@fheconsultants.net

MATTHEW H. MARCHANT
HOLLYFRONTIER CORPORATION
2828 N HARWOOD STE 1300
DALLAS, TX 75201
matthew.marchant@hollyfrontier.com

DARIN L. RAINS
HOLLYFRONTIER CORPORATION
2828 N Harwood, Ste. 1300
Dallas, TX 75201
darin.rains@hollyfrontier.com

JUSTIN WATERS, Energy Manager
JUSTIN WATERS
USD 259 School Serv. Cntr.
3850 N. Hydraulic
Wichita, KS 67219
jwaters@usd259.net

PHOENIX ANSHUTZ, LITIGATION ATTORNEY
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
p.anshutz@kcc.ks.gov

MICHAEL DUENES, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
m.duenes@kcc.ks.gov

AMBER SMITH, CHIEF LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
a.smith@kcc.ks.gov

TIMOTHY MAXWELL, Vice President, Specialty Finance
KEF UNDERWRITING & PORTFOLIO MGMT.
1000 South McCaslin Blvd.
Superior, CO 80027
timothy_maxwell@keybank.com

KEVIN HIGGINS
KEVIN C. HIGGINS
PARKSIDE TOWERS
215 S STATE ST STE 200
SALT LAKE CITY, UT 84111
khiggins@energystrat.com

MATTHEW B. McKEON, SVP & Senior Counsel II
KEY EQUIPMENT FINANCE
17 Corporate Woods Blvd.
Albany, NY 12211
matthew.b.mckeon@key.com

AMY G. PAINE, SVP Asset Mgmt.
KEY EQUIPMENT FINANCE
1000 South McCaslin Blvd.
Superior, CO 80027
amy.g.paine@key.com

GENE CARR, CO-CEO
NETFORTRIS ACQUISITION CO., INC.
6900 DALLAS PKWY STE 250
PLANO, TX 75024-9859
gcarr@telekenex.com

SUNIL BECTOR, ATTORNEY
SIERRA CLUB
2101 WEBSTER, SUITE 1300
OAKLAND, CA 94312-3011
sunil.bector@sierraclub.org

ANDREW J. FRENCH, ATTORNEY AT LAW
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
andrew@smizak-law.com

DIANE WALSH, PARALEGAL
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
DIANE@SMIZAK-LAW.COM

JAMES P. ZAKOURA, ATTORNEY
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
jim@smizak-law.com

TOM POWELL, General Counsel-USD 259
TOM POWELL
903 S. Edgemoor
Wichita, KS 67218
tpowell@usd259.net

JOHN M. CASSIDY, General Counsel
TOPEKA METROPOLITAN TRANSIT AUTHORITY
201 N. Kansas Avenue
Topeka, KS 66603
jcassidy@topekametro.org

AMY FELLOWS CLINE, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
amycline@twgfirm.com

TIMOTHY E. MCKEE, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
TEMCKEE@TWGFIRM.COM

EMILY MEDLYN, GENERAL ATTORNEY
U.S. ARMY LEGAL SERVICES AGENCY
REGULATORY LAW OFFICE
9275 GUNSTON RD., STE. 1300
FORT BELVOIR, VA 22060-5546
emily.w.medlyn.civ@mail.mil

KEVIN K. LACHANCE, CONTRACT LAW ATTORNEY
UNITED STATES DEPARTMENT OF DEFENSE
ADMIN & CIVIL LAW DIVISION
OFFICE OF STAFF JUDGE ADVOCATE
FORT RILEY, KS 66442
kevin.k.lachance.civ@mail.mil

CATHRYN J. DINGES, SENIOR CORPORATE COUNSEL
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
cathy.dinges@westarenergy.com

JEFFREY L. MARTIN, VICE PRESIDENT, REGULATORY AFFAIRS
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
JEFF.MARTIN@WESTARENERGY.COM

DAVID L.WOODSMALL
WOODSMALL LAW OFFICE
308 E HIGH ST STE 204
JEFFERSON CITY, MO 65101
david.woodsmall@woodsmalllaw.com

Della Smith
Administrative Specialist