BEFORE THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

REBUTTAL TESTIMONY

OF

REBECCA A. FOWLER

WESTAR ENERGY

DOCKET NO. 17-WSEE-147-RTS

Q. PLEASE STATE YOUR NAME.

A. Rebecca A. Fowler.

Q. ARE YOU THE SAME REBECCA FOWLER WHO FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address both the minor differences in the revenue requirement for this case as calculated by the parties to the case and the revenue requirement allocation within classes.

Q. WHAT IS WESTAR'S TRUED-UP REVENUE REQUIREMENT?

A. After the updates, Westar's revenue requirement is $16,412,124.

Q. IS IT CONSISTENT WITH STANDARD PRACTICE TO UPDATE COSTS IN A RATE CASE?

A. Yes. When a case is filed, it is customary to estimate costs that will be known and measurable by the time Staff and intervenor testimony is due.

Q. WHAT COSTS DID WESTAR UPDATE?

A. Since originally filing testimony in the case, Westar updated costs for all the items that were approved by the Commission in Westar's last general rate case: La Cygne environmental projects, the grid resiliency pilot, and Wolf Creek. *See* Joint Motion to Approve Stipulation and Agreement, Docket 15-WSEE-115-RTS, Stipulation and Agreement at ¶¶ 35-36 (Aug. 6, 2015); Order Approving Stipulation and Agreement (S&A), Docket No. 15-WSEE-115-RTS (115 Docket), at ¶¶ 116 (Sept. 24, 2015). Consistent with this methodology, accumulated depreciation, annualized depreciation expense as well as all tax effects were updated.

Q. WHY DIDN'T WESTAR UPDATE COSTS FOR THE ENVIRONMENTAL COST RECOVERY RIDER (ECRR)?

A. No update was necessary since all the 2015 calendar year costs related to the ECRR were known and measurable well before the filing date in this abbreviated case. Paragraph 40 of the order in our last general rate case that authorized the filing of this abbreviated rate case, Docket No. 15-WSEE-115-RTS, states:

> The Joint Movant's propose that Westar's ECRR should be discontinued. The Joint Movants agree that Westar would do a final update of environmental costs for 2015 that would have been recovered through the

ECRR previously noticed to the Commission and roll them into base rates established in a proposed abbreviated rate case discussed below.

Q. DID WESTAR FOLLOW THIS METHODOLOGY?

A. Yes. Westar prepared the final update of environmental costs that would have been recovered through the ECRR using the same methodology as has been used in each of the ten previous ECRR filings dating back to 2006. Westar did not include costs, accumulated depreciation, annualized depreciation expense, or related taxes occurring after 2015.

Q. DID STAFF USE THE SAME METHODOLOGY?

A. No. Staff updated accumulated depreciation for another 14 months beyond the year end 2015 through February 2017. This adjustment is inconsistent with the method that has been used to calculate the ECRR annually since 2006. It resulted in a decrease to rate base and a decrease in the revenue requirement.

Q. DID STAFF ALSO UPDATE OTHER ECRR COMPONENTS BEYOND YEAR END 2015 SUCH AS ENVIRONMENTAL CAPITAL COSTS, DEPRECIATION EXPENSE, AND TAXES?

A. No. Staff did not update its ECRR calculation to include costs incurred beyond 2015. Updating these costs would have increased the revenue requirement, but Staff did not attempt to obtain numbers from Westar to update costs. In other words, Staff updated accumulated depreciation – resulting in a decrease to revenue requirement – beyond year end 2015 but did not update any offsetting costs – that would have caused a corresponding increase to revenue requirement – past year end 2015.

Q. DID WESTAR CONTEMPLATE THIS SITUATION WHEN SIGNING ON TO THE STIPULATION AND AGREEMENT FILED IN THE LAST GENERAL RATE CASE?

A. No. Westar expected that the ECRR component of its revenue requirement in this abbreviated docket would be calculated in a manner consistent with the method for calculating the ECRR that has been used since 2016. When Westar agreed to settle its last general rate case, it agreed to stop collecting revenue to offset already incurred environmental costs. If the rider had continued to exist, Westar would have started collecting revenue on the 2015 ECRR costs beginning in June 2016. Instead, Westar agreed to discontinue the rider as well as postpone collecting revenue to pay for the mandated environmental costs for more than a year. Westar did not contemplate that a different methodology would be adopted by Staff (depreciating the ECRR costs beyond year end 2015) to determine the amount of revenue the Company could collect to recover costs.

Q. WHY IS WESTAR'S APPROACH TO CALCULATING THE ECRR COMPONENT OF THE INCREASE THE CORRECT APPROACH?

A. First, as I indicated above, it is inappropriate to update only one component of the ECRR calculation past year end 2015 but not update any of the other offsetting components through the same date.

Second, the spirit of the compromise reached in the settlement in the last general rate case was for Westar to agree to discontinue the ECRR but to allow Westar to recover in this abbreviated rate case, over a year later than they would have been recovered otherwise, the costs it incurred in 2015 that would have been collected through the ECRR absent the settlement. Given this compromise, it is reasonable that the ECRR component of the revenue requirement increase in this abbreviated case be calculated in a manner consistent with past practice. Past practice for the ECRR was to calculate accumulated depreciation through year end 2015, not February 2017.

Correcting for Staff's adjustment to accumulated depreciation that we do not believe was appropriate will increase Staff's rate base calculation by $636,089 and increase Staff's revenue requirement calculation by $80,495.

Q. ARE THERE ANY OTHER AREAS WHERE THE COMPANY DISAGREED WITH STAFF?

A. Yes. Staff updated accumulated depreciation for Wolf Creek projects that were in service during the general rate case. This had the impact of reducing rate base.

Q. IS IT A TYPICAL PRACTICE IN A RATE CASE TO UPDATE ACCUMULATED DEPRECIATION ON EXISTING PLANT IN SERVICE?

A. No, this is not a typical adjustment made during a rate case.

Q. DID WESTAR FOLLOW THE CONDITIONS OF THE STIPULATION AND AGREEMENT FROM THE LAST GENERAL RATE CASE REGARDING ALLOCATION OF THE REVENUE REQUIREMENT INCREASE IN THIS CASE?

A. Yes. As agreed upon in the Stipulation and Agreement in the last general rate case, grid resiliency pilot costs were not allocated to LGS, ILP, large tire manufacturer (LTM), interruptible service (IS) classes, or special contract customers and the allocations to each of the customer classes were consistent with the allocations agreed to in that last rate case. *See* Joint Motion to Approve Stipulation and Agreement, Docket 15-WSEE-115-RTS, Stipulation and Agreement at ¶ 43 (Aug. 6, 2015); Order Approving Stipulation and Agreement (S&A), Docket No. 15-WSEE-115-RTS (115 Docket), at ¶¶ 116 (Sept. 24, 2015)

Q. HOW DID WESTAR APPLY THE INCREASE TO BILLING COMPONENTS WITHIN CLASSES?

A. Westar agreed in the general rate case that the basic service fee for all residential classes would not be adjusted in this abbreviated rate case. To maintain consistency among the classes, Westar did not apply any increase to the Basic Service Fee for the remaining customer classes. Westar also determined that the small amount of the dollar increase applicable to commercial and industrial customers did not warrant changing demand rates, and instead, applied the increase to the energy component only. This is a common-sense approach given the simple nature of the case. On the other hand, Staff attempted to spread the increase to all charges equally. Westar believes this approach unnecessarily complicates rate implementation for this case.

Q. THANK YOU.