

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

**TESTIMONY
OF
JEFFREY L. MARTIN
IN SUPPORT OF STIPULATION AND AGREEMENT
WESTAR ENERGY, INC.**

DOCKET NO. 17-WSEE-147-RTS

I. INTRODUCTION

1

2 **Q. PLEASE STATE YOUR NAME.**

3 A. Jeff Martin.

4 **Q. ARE YOU THE SAME JEFF MARTIN WHO FILED DIRECT AND**
5 **REBUTTAL TESTIMONY IN THIS DOCKET**

6 A. Yes.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN SUPPORT**
8 **OF THE STIPULATION AND AGREEMENT?**

9 A. I will provide testimony in support of the Stipulation and Agreement
10 (S&A) reached between Westar, KCC Staff, Citizens' Utility
11 Ratepayer Board (CURB), U.S. Department of Defense and all other
12 Federal Executive Agencies (DOD/FEA), and IBEW Local 304

1 (referred to collectively as the “Parties”).¹ I will discuss how the S&A
2 complies with the Commission’s five-part test for approval of
3 settlement agreements.

4 **II. SUMMARY OF STIPULATION AND AGREEMENT**

5 **Q. WHAT IS THE BASIS OF THE S&A?**

6 A. We have agreed to an S&A that would implement a revenue
7 requirement increase of \$16,366,511. This represents the revenue
8 requirement as stated by Westar in its initial filing with several
9 adjustments agreed to by the Parties. Specifically, Westar’s
10 investment in environmental upgrades at La Cygne Energy Center
11 (La Cygne), Westar’s investment in its grid resiliency pilot, and
12 Westar’s investments at Wolf Creek are all updated for actual costs
13 through March 1, 2017. The Parties also agreed in the S&A that this
14 revenue requirement is based on the cost of capital established by
15 the Commission in Docket No. 15-WSEE-115-RTS (115 Docket).

16 We also agreed to the following allocation of the revenue
17 requirement increase to the various customer classes, which is
18 consistent with what was agreed to in the Stipulation and Agreement
19 filed in the 115 Docket:

¹ USD 259 is not a signatory to the Stipulation and Agreement but has indicated it does not oppose the agreement.

<u>Customer Class</u>	<u>Revenue Allocation</u>
Residential	\$9,223,271
SGS	\$2,921,134
MGS	\$1,552,065
Schools	\$477,122
Lighting	\$497,088
LGS/ILP	\$1,503,917
ICS	\$18,386
Special Contract	\$173,528

- 1 Per the Stipulation and Agreement approved in the 115 Docket, there
- 2 will be no increase to the residential customer charge. Specific rates
- 3 for each class are identified in Exhibit A to the S&A.

1 **Q. HOW WILL THE RATES ESTABLISHED BY THE S&A IMPACT**
2 **CUSTOMERS' BILLS?**

3 A. The rates reflected in Exhibit A to the S&A will impact the customer
4 classes as follows:

Customer Class	Average % Increase to Bill
Residential	1.13%
SGS	0.70%
MGS	0.64%
Schools	0.89%
LGS/ ILP/ LTM/ ICS	0.3944%
Special Contracts	0.29%
Churches	0.88%

5 **III. FIVE-PART TEST FOR APPROVAL OF SETTLEMENT**

6 **Q. WHAT IS THE FIVE-PART TEST THE COMMISSION APPLIES TO**
7 **SETTLEMENT AGREEMENTS?**

8 A. The Commission determines:

- 9 1. Whether each party had an opportunity to be heard on its
10 reasons for opposing the Stipulation;
11
12 2. Whether the Stipulation is supported by substantial competent
13 evidence;
14
15 3. Whether the Stipulation conforms with applicable law;
16
17 4. Whether the Stipulation results in just and reasonable rates;
18 and
19

1 5. Whether the results of the Stipulation are in the public interest.

2 **Q. HAS EACH PARTY HAD THE OPPORTUNITY TO BE HEARD ON**
3 **ITS REASONS FOR OPPOSING THE S&A?**

4 A. The S&A is supported or unopposed by all parties so there are no
5 parties opposing the S&A. All parties to the docket had the
6 opportunity to participate in the settlement discussions that led to the
7 S&A. The S&A is a result of negotiations among each of the parties
8 that filed testimony in the docket.

9 **Q. IS THE S&A SUPPORTED BY SUBSTANTIAL EVIDENCE IN THE**
10 **RECORD AS A WHOLE?**

11 A. Yes. The agreed-upon increase in revenue requirement is clearly
12 supported by all four parties (Westar, Staff, CURB, and DOD) that
13 filed testimony on this item. In its initial Application, Westar
14 requested a revenue requirement increase of \$17.4 million, with the
15 recognition that the number would have to be trued-up to reflect the
16 actual costs incurred through March 1, 2017. Staff and CURB
17 recommended adjustments that would true-up Westar's La Cygne
18 investment, grid resiliency pilot investment, and Wolf Creek
19 investment to actual costs. Staff recommended a revenue
20 requirement increase of \$16,317,254; CURB recommended a
21 revenue requirement increase of \$16,464,532; and DOD
22 recommended a revenue requirement increase of \$16,269,104.
23 Westar filed rebuttal testimony indicating that its calculation of the

1 trued-up revenue requirement was \$16,412,124. The agreed upon
2 revenue requirement in the S&A is in the middle of the range
3 established by the parties' testimony and very close to each of the
4 recommendations made by the parties.

5 The allocation of the revenue requirement increase to the
6 customer classes is also supported by evidence in the record.
7 Westar, Staff, CURB, and DOD all explained that the allocation of
8 the increase to classes is to be done in a manner consistent with the
9 allocation in the 115 Docket and the class allocation contained in the
10 S&A is consistent with that guideline.

11 **Q. DOES THE S&A CONFORM TO APPLICABLE LAW?**

12 A. I express no opinion on whether the settlement conforms to
13 applicable law although I have been informed by counsel that it does.
14 I also understand that the Commission has previously recognized
15 that settlements are favored by the law.

16 **Q. WOULD THE RATES IMPLEMENTED PURSUANT TO THE S&A**
17 **BE JUST AND REASONABLE?**

18 A. Yes. The revenue requirement increase is a result of (1) the
19 completion of the environmental upgrade project at La Cygne, which
20 was approved and found to be in the public interest by the
21 Commission in Docket No. 11-KCPE-581-PRE, (2) completion of
22 Westar's grid resiliency pilot, which was approved by the
23 Commission in the 115 Docket, (3) completion of projects at Wolf

1 Creek that were necessary in order to ensure that Wolf Creek
2 continues to provide zero-emission, stable-cost power to customers,
3 all approved in the 115 Docket, and (4) the environmental costs
4 incurred in 2015 that would have been recovered through the
5 Environmental Cost Recovery Rider (ECRR) absent our agreement
6 in the 115 Docket to discontinue the ECRR – Westar provided notice
7 of these projects to the Commission on March 31, 2015 in Docket
8 No. 09-WSEE-737-TAR.

9 **Q. ARE THE RESULTS OF THE AGREEMENT IN THE PUBLIC**
10 **INTEREST, INCLUDING THOSE NOT CONSENTING TO THE**
11 **AGREEMENT?**

12 A. Yes. As I indicated above, the Commission has already determined
13 that the projects leading to the increase in revenue requirement in
14 this docket were necessary and prudent and that the estimated costs
15 were reasonable. The rates that will be paid by each specific
16 customer class are a result of an allocation of costs that was agreed
17 to by the parties (approximately 22, representing all of Westar's
18 major customer classes) to the 115 Docket, was supported by the
19 class cost of service studies filed in the 115 Docket, and is supported
20 or unopposed by all of the parties in this docket. As a result, the
21 Commission's approval of the S&A and the rates reflected in Exhibit
22 A to the S&A will be in the public interest.

23 **Q. THANK YOU.**