

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

DIRECT TESTIMONY

OF

LARRY WILKUS

WESTAR ENERGY

DOCKET NO. 18-WSEE-328-RTS

1

I. INTRODUCTION

2

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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A. Lawrence ("Larry") M. Wilkus, 818 South Kansas Avenue, Topeka,
4 Kansas 66612.

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Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

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A. I am employed by Westar Energy, Inc. ("Westar") as Director, Retail
7 Rates.

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**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
9 BUSINESS EXPERIENCE.**

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A. In 1985, I received a B.S. in Mechanical Engineering from the
11 University of Kansas. I also attended the University of Missouri –
12 Kansas City, where I earned an M.B.A. with emphasis in Finance in
13 1991 and a M.S. in Accounting in 1999. I am a Certified

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1 Management Accountant and Certified in Financial Management as
2 well as a member of the Institute of Management Accountants.

3 I joined Westar Energy as Director, Retail Rates in January 2016.
4 From August 1997 to January 2016, I was employed by Kansas City
5 Power & Light and Aquila and held various financial management,
6 regulatory, and asset management positions. From January 1995 to
7 August 1997, I held financial management positions at the City of
8 Kansas City, Missouri Water Services Department and Missouri Gas
9 Energy where my responsibilities included developing utility rates.
10 Prior to that, I was employed by AlliedSignal AeroSpace Company in
11 Kansas City, Missouri in various engineering positions in
12 manufacturing and facilities operations.

13 **Q. HAVE YOU TESTIFIED BEFORE THIS COMMISSION OR ANY**
14 **OTHER REGULATORY COMMISSION PREVIOUSLY?**

15 A. Yes. While employed at Aquila, I filled testimony in the States of
16 Colorado and West Virginia related to class cost of service, changes
17 in general terms and conditions, and other issues in support of
18 general rate case filings.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
20 **PROCEEDING?**

21 A. I will:

22 1. Introduce the sponsors of accounting adjustments in the
23 application;

- 1 2. Present the financial and accounting data taken directly from
2 the accounting records that support this Application, and
3 sponsor all schedules in sections 3 through 6, 8 through 10,
4 12 through 14, 16 and 17 of the Application;
- 5 3. Discuss our proposed two-step rate change approach in this
6 case to provide our customers the benefits of tax reform as
7 early as possible and to capture two major known and
8 measurable items that will have an impact on base rates in
9 February 2019;
- 10 4. Discuss the impact of tax reform on revenue requirements for
11 rates effective September 2018 and the proposed bill credit
12 for the net benefits from January 1, 2018 to when rates
13 become effective;
- 14 5. Sponsor the Weather Normalization adjustment;
- 15 6. Sponsor the Customer Annualization adjustment;
- 16 7. Sponsor the Knock and Collect adjustment;
- 17 8. Introduce the sponsors of the class cost of service study,
18 describe our approach to allocating the revenue surplus in the
19 first step and deficiency in the second step to the rate classes
20 in this two-step rate change request, and present Westar's
21 proposed revenue changes by rate class;
- 22 9. Introduce the sponsors of the residential rate design changes
23 being proposed, including new rate offerings;

- 1 10. Sponsor changes to the Property Tax Surcharge (PTS) and
2 Retail Energy Cost Adjustment (RECA) tariffs;
- 3 11. Sponsor changes to the General Terms and Conditions of
4 Service; and
- 5 12. Discuss an alternative rate making approach for the Western
6 Plains wind farm that would benefit customers.

7 **II. ACCOUNTING DATA AND ADJUSTMENTS**

8 **Q. ARE YOU SPONSORING ANY SCHEDULES TO THIS**
9 **APPLICATION?**

10 A. I am sponsoring all of the schedules in Sections 3 through 6, 8
11 through 10, 12 through 14, 16 and 17 of the Application.

12 **Q. ARE OTHER WITNESSES SPONSORING THE SCHEDULES IN**
13 **SECTIONS 7 AND 11?**

14 A. Westar witnesses Mr. Somma and Ms. McGrath will sponsor all
15 schedules in Section 7, which includes capital structure and cost of
16 money. Westar witness Mr. Devin will sponsor all schedules in
17 Section 11 - Tax - and the tax impact of all accounting adjustments.

18 **Q. WHAT IS THE SOURCE OF THE DATA IN THE**
19 **AFOREMENTIONED SCHEDULES?**

20 A. The data in these schedules are sourced from Westar's official books
21 and records.

22 **Q. WHICH WESTAR WITNESSES WILL BE SPONSORING**
23 **ADJUSTMENTS IN THIS APPLICATION?**

1 A. Exhibit LMW-1 lists the accounting adjustments and the witness
2 sponsoring each adjustment.

3 **III. TWO-STEP RATE CHANGE**

4 **Q. WHY ARE YOU REQUESTING A TWO-STEP APPROACH FOR**
5 **THE PROPOSED RATE CHANGES WITH THIS FILING?**

6 A. For two reasons. First, the impact of tax reform is included in our
7 filing. Rather than delaying the case until later in the year, we
8 decided to accelerate the process of providing those benefits to our
9 customers earlier rather than later. Second, there are two major
10 drivers of our case – the expiration of the Mid-Kansas Electric
11 Cooperative (MKEC) wholesale contract and the expiration of some
12 of our wind generation federal production tax credits (PTCs) – that
13 do not occur until January 2019 and February 2019, respectively.
14 However, under the 240-day time period the Commission has to
15 issue its order in the case, the rate increase that results from this
16 case would be effective in late September 2018, four months before
17 Westar experiences the impact from these revenue losses. As a
18 result, we are proposing a two-step rate change with the first rate
19 change – a rate decrease – to become effective in September 2018,
20 240 days after the filing of this Application. The first step would not
21 include the impact associated with the MKEC contract and the
22 expiring PTCs. We would then implement a second step, effective
23 February 1, 2019, a rate increase that would add in the revenue

1 requirement associated with the MKEC contract and the expiring
2 PTCs.

3 **Q. HOW DID YOU HANDLE THE TWO-STEP RATE CHANGE WHEN**
4 **YOU PREPARED YOUR FILING IN THIS CASE?**

5 A. We prepared two revenue requirement models, the first without the
6 impact from the expiration of the MKEC contract and the expiring
7 PTCs and the second that includes those impacts. We had our class
8 cost of service consultant, Westar witness Amen, prepare two class
9 cost of service (CCOS) studies – one for each of the two revenue
10 requirements – and we are proposing allocations of the revenue
11 requirements to the classes for each of the rate changes. We have
12 also designed two sets of rates for each customer class, with the first
13 set to be effective in September 2018 and the second set to be
14 effective February 1, 2019.

15 **Q. WHY IS IT REASONABLE FOR WESTAR TO REQUEST THIS**
16 **TWO-STEP RATE CHANGE?**

17 A. The revenue requirement impact associated with the expiration of
18 the MKEC contract and the PTCs is known and measurable today,
19 despite the fact that the loss of that revenue will not occur until
20 January 2019 and February 2019. The amount of that impact on
21 Westar's revenue requirement is significant – about \$54 million.
22 Additionally, the approach we have taken enables us to pass along
23 the benefits of tax reform to our customers as soon as possible while

1 avoiding filing another rate case to adjust our rates for these items
2 immediately after we receive a decision in this case. This ensures
3 that our customers do not pay the additional costs until Westar
4 actually experiences the loss in revenues in February 2019 while
5 avoiding the costs of a second rate case that would ultimately be
6 included in our customers' rates.

7 **IV. TAX REFORM**

8 **Q. IS THE IMPACT OF THE FEDERAL TAX CUTS AND JOBS ACT**
9 **(TAX REFORM) REFLECTED IN REVENUE REQUIREMENTS IN**
10 **THIS RATE REQUEST?**

11 A. Yes. The drop in the corporate tax rate from 35% to 21% as well as
12 the impact to accumulated deferred income tax liabilities and assets
13 that became effective January 1, 2018 are reflected in the filing.

14 **Q. WILL CUSTOMERS RECEIVE THE BENEFIT OF TAX REFORM**
15 **FOR THE PERIOD FROM JANUARY 1, 2018 THROUGH WHEN**
16 **RATES BECOME EFFECTIVE IN SEPTEMBER 2018?**

17 A. Yes. In accordance with the Commission's Order Opening General
18 Investigation and Issuing Accounting Authority Order Regarding
19 Federal Tax Reform in Docket No. 18-GIMX-248-GIV, Westar has
20 calculated the difference in its cost of service as determined in our
21 last general rate case (Docket No. 15-WSEE-115-RTS) using the
22 new federal corporate tax rate. As required by the order, Westar will
23 be accruing the monthly difference in a deferred revenue account

1 through the end of September 2018, when the first rate change from
2 this case becomes effective.

3 **Q. PLEASE EXPLAIN THE BENEFIT THAT WESTAR CUSTOMERS**
4 **WILL RECEIVE FROM TAX REFORM.**

5 A. Westar customers will see the benefit through a reduction of
6 approximately \$74 million in Westar's annual revenue requirement
7 after the first step rate change in this case, and this level of benefit
8 will continue to be reflected in rates in the future with the permanent
9 reduction in the corporate tax rate. Additionally, customers will
10 receive a one-time bill credit for the accrued revenue balance
11 partially offset by other cost of service increases (the net
12 accumulated balance or credit amount) for the period of January 1,
13 2018 through the end of September 2018. This one-time bill credit
14 is projected to be approximately ** [REDACTED] ¹

15 **Q. WHAT DO YOU MEAN WHEN YOU SAY THAT OTHER COST OF**
16 **SERVICE INCREASES PARTIALLY OFFSET THE ACCRUED**

¹ This number is being designated as confidential because it is calculated using a non-public statement of Westar's earnings for 2017. Westar requests that it be designated as confidential only until after Westar files its Form 10-K and makes its announcement of 2017 earnings, which will occur on February 21, 2018. After that time, this number will no longer be considered confidential.

1 **REVENUE BALANCE THAT WILL BE PROVIDED AS A CREDIT**
2 **TO CUSTOMERS?**

3 A. In its Order opening the generic investigation regarding tax reform,
4 the Commission indicated that

5 any affected utility that believes that other components
6 of their cost of service have more than offset the
7 decrease in its income tax expenses will have the
8 ability to file such information and supporting data with
9 the Commission to be considered on a case-by-case
10 basis. The Commission's intention here is not to
11 materially impact regulated utilities' profitability, but
12 rather, ensure that the affected utilities are neither
13 positively nor negatively impacted by the passage of
14 federal income tax reform.

15 *Id.* at ¶ 11. In other words, the Commission will consider whether
16 any revenue deficiency should partially offset the decrease in income
17 tax expenses. *Id.*

18 **Q. PLEASE EXPLAIN HOW THE CREDIT AMOUNT WAS**
19 **CALCULATED.**

20 A. First, Westar calculated the difference in revenue requirement from
21 the last general rate case (Docket No. 15-WSEE-115-RTS) using the
22 new 21% corporate tax rate. Then monthly retail base revenue was
23 used as a basis to determine the appropriate monthly amounts to
24 accrue as deferred revenue. For the nine-month period of January
25 1, 2018 through September 30, 2018, the projected amount that will
26 be deferred is \$48.7 million.

27 Second, to quantify the impact of cost increases that offset a
28 portion of this deferral amount, we calculated Westar's 2017 financial

1 results, looking at Westar’s earned regulated return on equity for
2 2017 and comparing that to our current Commission authorized
3 return on equity. This annual amount was adjusted for the nine-
4 month period using the same methodology as the deferred revenue
5 accrual. The total cost increase offset – or the total amount of
6 Westar’s revenue deficiency as of the end of 2017 adjusted for a
7 nine-month period – is approximately ** [REDACTED] **. **2 The net of
8 the tax reform benefit and the corresponding offset is approximately
9 ** [REDACTED] **. ** This is the amount we propose to provide to
10 customers as a one-time bill credit within 120 days after the
11 Commission issues its order on this Application.³

12 **Q. HOW DO YOU PROPOSE TO ALLOCATE THE BILL CREDIT TO**
13 **CUSTOMERS?**

14 A. We propose to allocate the total amount of the bill credit to the
15 customer classes based on the revenue provided by each class
16 during the test year. Within the residential class, we propose to
17 allocate the bill credit amount as an equal amount to each customer.

18 For all other customer classes, we propose to allocate the bill credit

² This number is being designated as confidential because it is a non-public statement of Westar’s earnings for 2017. Westar requests that it be designated as confidential only until after Westar files its Form 10-K and makes its announcement of 2017 earnings, which will occur on February 21, 2018. After that time, this number will no longer be considered confidential.

³ Westar proposes to issue the bill credit within 120 days of the Commission Order in order to allow its billing and programming departments time to calculate and administer the credit, including any time necessary to program Westar’s billing system to provide the credit to customers.

1 amount within each class based on the customer's billed kWh during
2 the test year.

3 **Q. PLEASE EXPLAIN WHY THE CREDIT IS NOT INCLUDED IN THE**
4 **REVENUE REQUIREMENT IN THIS FILING?**

5 A. Since it pertains to a period prior to when new rates become effective
6 in September 2018, the net accumulated balance is not an ongoing
7 cost of service and is best treated as a bill credit. This approach
8 helps ensure our customers will receive the benefit quicker.

9 **V. WEATHER NORMALIZATION ADJUSTMENT**

10 **Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-1**

11 A. This income statement adjustment is required to restate test year
12 revenues and related income taxes to remove the effect of weather
13 that deviated from normal. The weather during the test year, July
14 2016 through June 2017, was warmer than normal, resulting in
15 higher sales volumes and revenue than would be the case under
16 normal conditions. As such, in this case an adjustment is required
17 to reduce sales revenues. Normal is defined as the 30-year normal
18 established by the National Oceanic and Atmospheric
19 Administration (NOAA) for the period ending June 2017. This
20 definition of "normal weather" has been used by Westar and Staff in
21 each of the most recent four cases.

22 Because NOAA only updates the 30-year normal every 10
23 years, the data used is the most recently available.

1 **Q. WHAT METHODOLOGY WAS FOLLOWED IN WESTAR’S**
2 **WEATHER NORMALIZATION ANALYSIS?**

3 A. The methodology continues to use regression coefficients developed
4 jointly by Westar and the Commission Staff. The methodology is the
5 same as the one accepted by the Commission in several past
6 general rate cases including Westar’s most recent case, Docket No.
7 15-WSEE-115-RTS.

8 **Q. PLEASE EXPLAIN THE METHODOLOGY.**

9 A. A summary of the methodology is provided in Exhibit LMW-2.

10 **Q. HAS THE COMMISSION PROVIDED GUIDANCE REGARDING**
11 **THE USE OF A 30-YEAR AVERAGE?**

12 A. Yes. In Westar’s 2006 general rate case, Docket 05-WSEE-981-
13 RTS, the Commission accepted Staff’s weather normalization
14 adjustment, as corrected, which used the then-current NOAA 30-
15 year average.

16 **Q. HOW WAS ADJUSTMENT NO. IS-1 DEVELOPED?**

17 A. Each tariff’s monthly energy rate was multiplied by the estimated
18 monthly energy weather adjustment for the given tariff.

19 **Q. WHAT IS THE EFFECT OF ADJUSTMENT NO. IS-1?**

20 A. Because test-year actual weather was different than the 30-year
21 average, Adjustment No. IS-1 serves to decrease revenue by
22 \$9,681,475 and income taxes by \$2,568,495. Thus, in normalizing
23 for weather, this analysis recognizes that our sales were actually

1 higher in the test year than would have been expected in more
2 normal conditions.

3 **VI. CUSTOMER ANNUALIZATION**

4 **Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-2.**

5 A. This adjustment, titled Customer Annualization, is necessary to
6 account for the fact that the number of customers was not constant
7 during the test year. The adjustment recognizes the level of
8 operating income that would have been earned from the number and
9 type of customers receiving service at the end of the test year as if
10 those customers had received the same service throughout the
11 entire test year. By recognizing that a change in the number and
12 type of customers will generate a change in revenue in the future for
13 Westar compared to test-year revenue, the adjustment in test year
14 revenue increases the revenue deficiency and the related rate
15 change request of Westar.

16 **Q. BRIEFLY EXPLAIN HOW THE ADJUSTMENT WAS**
17 **DETERMINED.**

18 A. This adjustment was developed by following the method first
19 accepted by the Commission in Docket Nos. 193,306-U and
20 193,307-U. Westar proposed and the Commission accepted similar
21 adjustments utilizing this method in Westar's last four general rate
22 cases in Docket Nos. 05-WSEE-981-RTS, 08-WSEE-1041-RTS, 12-
23 WSEE-112-RTS, and 15-WSEE-115-RTS.

1 Under this method, the net change in the number of
2 customers from July 2016 to June 2017 is calculated for each
3 residential and commercial rate schedule and for the small general
4 service industrial rate schedule. Then, the change in customer count
5 for each rate schedule is assumed to have occurred at a constant
6 rate throughout the test year – in other words, the number of new
7 customers added is the same each month. Next, the total revenue
8 that would have resulted from that levelized change in customer
9 count for each rate schedule is calculated. The calculation includes
10 both customer charges (based purely on the number of customers
11 per month at the fixed monthly charge) and energy charges (based
12 on average weather normalized energy per customer per month) that
13 would have been realized in that month. The total revenue change
14 for all rate schedules are added together to determine a system-wide
15 total revenue change.

16 **Q. PLEASE PROVIDE AN EXAMPLE.**

17 A. If a rate schedule experienced growth of 1,200 customers from July
18 1, 2016 through June 30, 2017, it is assumed that 100 customers
19 were added each month. The revenue for an additional 100
20 customers each month is then calculated. The customer additions
21 are cumulative, so that, relative to the customer count at the start
22 (July 1, 2016), the total increases by 100 customers during July, and
23 by another 100 customers during August for a total customer

1 increase of 200 customers during August), and so on for each of the
 2 twelve months. Thus, for each month, revenue associated with
 3 having 100 more customers than the month before is added to the
 4 total revenue, so that by June 2017, the revenue includes the
 5 addition of all 1,200 new customers. Table 1 below illustrates this
 6 example further.

7

TABLE 1

Month	Active Customers	Customers Added Monthly in Test Year	Number of Customers for Which Revenue is Added
Jun-16	500,000		
Jul-16	500,100	100	1,200
Aug-16	500,200	100	1,100
Sep-16	500,300	100	1,000
Oct-16	500,400	100	900
Nov-16	500,500	100	800
Dec-16	500,600	100	700
Jan-17	500,700	100	600
Feb-17	500,800	100	500
Mar-17	500,900	100	400
Apr-17	501,000	100	300
May-17	501,100	100	200
Jun-17	501,200	100	100

8 **Q. DOES THE MODEL ASSUME THAT ALL NEW CUSTOMERS IN A**
 9 **MONTH COMMENCE SERVICE ON THE FIRST DAY OF THE**
 10 **MONTH?**

11 A. No. The model assumes that the change in customer count is evenly
 12 distributed throughout the entire month. Thus, continuing the
 13 example above, it is assumed that the 100 new customers connected
 14 each month commence service evenly throughout the month, or that

1 roughly three new customers are added each day. Given this linear
2 distribution of new customers across each period, the total additional
3 revenue and expense for each month is half of the amount
4 associated with the full addition of 100 customers.

5 **Q. HOW WAS THE TOTAL ADJUSTMENT CALCULATED?**

6 A. For the first month, one-half the monthly change in customers for a
7 given rate schedule was multiplied by the monthly weather
8 normalized energy use per customer for each rate schedule. For
9 each successive month, the calculation was repeated on a
10 cumulative-customer-count basis, to determine a total change in
11 kWh per rate schedule for the twelve-month period. The price per
12 kWh for each schedule was multiplied by the change in kWh sales
13 for each schedule by month to determine the revenue from the
14 additional energy sales. The price per kWh includes energy and, if
15 applicable, demand charges. Customer charge revenues were
16 determined by taking the customer charge for each tariff schedule
17 times the number of customers added or removed each month by
18 rate schedule. The total revenue adjustment is the sum of energy
19 and customer charge revenues associated with the new customers
20 on all rate schedules for the twelve months.

21 **Q. WHAT IS THE IMPACT OF THE CUSTOMER ANNUALIZATION**
22 **ADJUSTMENT?**

1 A. The adjustment decreases revenue and pretax operating income by
2 \$2,667,252.

3 **VII. KNOCK AND COLLECT**

4 **Q. PLEASE EXPLAIN THE KNOCK AND COLLECT ADJUSTMENT**
5 **NO. IS-37.**

6 A. In Docket No. 15-GIMX-344-GIV, the Commission approved a three-
7 year pilot program for a temporary waiver to the Electric and Natural
8 Gas Billing Standards for customers with digital meters. The
9 temporary waiver is intended to replace live on-premises contact,
10 referred to as “knock and collect,” prior to service disconnection for
11 non-pay. As part of the temporary waiver, the Company agreed to
12 additional customer contact attempts, a lower disconnect fee, and no
13 reconnect fee. This adjustment includes the annualized cost of the
14 additional contact attempts, less revenue from lower disconnect and
15 waiver of the reconnect fee, as well as the annualized savings from
16 the decrease in cost of live on premise contacts. The adjustment
17 decreases pre-tax operating income by \$528,128.

18 **VIII. REVENUE ALLOCATION**

19 **Q. DID WESTAR PERFORM A COST OF SERVICE STUDY FOR THIS**
20 **CASE?**

21 A. Yes. The cost of service study is sponsored by Westar witness Mr.
22 Amen.

1 **Q. WHAT IS THE PURPOSE OF THE COST OF SERVICE STUDY?**

2 A. It provides useful guidance for determining the allocation of the
3 revenue change to each rate class. Cost of service is not, however,
4 the only consideration in determining the portion of the revenue
5 surplus or deficiency allocated to each rate class. Other
6 considerations include principles such as gradualism to avoid
7 sudden changes, competitive considerations, customer satisfaction
8 initiatives, regulatory obligations, and avoiding or minimizing the
9 potential for inappropriate rate switching.

10 **Q. HOW HAVE YOU TAKEN THE ABOVE FACTORS INTO**
11 **ACCOUNT IN RECOMMENDING THE LEVEL OF RATE CHANGE**
12 **FOR EACH RATE CLASS?**

13 A. As in prior rate cases, the process for determining the proposed
14 change for each class includes several steps.

15 First, from the cost of service study, we determined whether
16 any classes are producing a return significantly above or below the
17 requested return at current rates.

18 Second, for step one, we allocated the overall decrease using
19 the class cost of service study as a guide. As a result, all classes
20 except for residential DG and lighting receive a decrease.
21 Residential DG receives an increase in this step to address the
22 cross-subsidy issue while lighting as a class remains unchanged
23 given the consolidation of rate areas.

1 For the step two rate increase, we again determined the
2 reasonable upper limit above the requested overall revenue
3 requirement increase for any class producing less than the allowed
4 return. In this case, no class will receive an increase of greater than
5 one and a half times the average increase based on the roll-in of
6 property taxes in base rates.

7 Third, we began with the idea that each class should receive
8 cost allocation that allows for gradual movement closer to its allowed
9 return. We followed that principle by recommending that each class
10 receive a rate change that considers both the class contribution to
11 Westar's total revenue requirement and the class share of the rate
12 change relative to the other classes and the system on the whole, in
13 conjunction with the concepts of avoiding rate shock and embracing
14 gradualism.

15 Fourth, we considered the effects of particular rate design
16 issues. In particular, we took into account the rate design proposals
17 for the residential DG rate class as described by Westar witness Dr.
18 Faruqui in his direct testimony and for the street light rate class as
19 described by Westar witness Mr. Wolfram in his direct testimony.

20 Finally, we adjusted the remaining allocations such that the
21 proposed rates generate the proposed revenue requirement at the
22 requested rate of return. I will discuss in greater detail the revenue
23 allocation of first step and second step. The proposed revenue

1 change by rate class, both in dollars and as a percent, is shown in
 2 Table 2 below, for the total revenue decrease request to be effective
 3 in September 2018.

4 **Table 2**
 5 **Proposed Base Rate Change by Rate Class – September 2018**

<u>Rate Class</u>	<u>Current Rate of Return</u>	<u>Proposed Base Revenue Change</u>	<u>Percentage Change</u>
Residential	4.91%	\$ (325,757)	-0.04%
Residential - DG	0.48%	\$ 42,155	17.23%
Small General Service	7.24%	\$ (453,936)	-0.11%
Medium General Service	8.44%	\$ (270,472)	-0.11%
Large General Service	11.96%	\$ (345,077)	-0.11%
Industrial & Large Power Service	6.69%	\$ (87,833)	-0.11%
Interruptible Contract Service	0.43%	\$ (1,497)	-0.11%
Special Contracts	1.93%	\$ (63,336)	-0.11%
Large Tire Manufacturer	10.05%	\$ (9,716)	-0.11%
Schools	0.45%	\$ (43,498)	-0.08%
Churches	-2.90%	\$ (720)	-0.04%
Lighting	20.29%	\$ -	0.00%
Total	6.46%	\$ (1,559,687)	-0.08%

*This is the percentage increase without the property tax surcharge roll-in to base rates.

6 **Q. DID YOU ALSO PREPARE A PROPOSED ALLOCATION FOR**
 7 **THE RATE CHANGE THAT WILL OCCUR ON FEBRUARY 1,**
 8 **2019?**

9 A. Yes. The total revenue change by rate class to be effective February
 10 1, 2019 is shown in Table 3, which reflects the net increase from the
 11 step one decrease and step two increase.

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2
3

Table 3
Proposed Base Rate Increase by Rate Class
February 2019

<u>Rate Class</u>	<u>Rate of Return</u>	<u>Proposed Base Revenue Increase</u>	<u>Percentage Increase</u>
Residential	4.91%	\$ 38,322,632	4.60%
Residential - DG	0.48%	\$ 48,214	19.70%
Small General Service	7.24%	\$ 5,606,850	1.42%
Medium General Service	8.44%	\$ 2,932,746	1.24%
Large General Service	11.96%	\$ 3,209,692	1.07%
Industrial & Large Power Service	6.69%	\$ 662,454	0.87%
Interruptible Contract Service	0.43%	\$ 12,672	0.97%
Special Contracts	1.93%	\$ 245,383	0.44%
Large Tire Manufacturer	10.05%	\$ 70,999	0.84%
Schools	0.45%	\$ 1,387,160	2.50%
Churches	-2.90%	\$ 83,335	4.52%
Lighting	20.29%	\$ -	0.00%
Total	6.46%	\$ 52,582,137	2.63%

*This is the percentage increase without the property tax surcharge roll-in to base rates.

- 4 **Q. PLEASE EXPLAIN WESTAR'S PROPOSED REVENUE**
5 **ALLOCATION FOR WESTAR'S FIRST STEP RATE CHANGE**
6 **AND SUBSEQUENT SECOND STEP RATE CHANGE.**
- 7 A. In the first step rate change, Westar used the class cost of service
8 as a guide in allocating the overall revenue requirement decrease of
9 (\$1,559,687). The decrease was allocated to all of the rate classes
10 except the RSDG, due to the existing cross-subsidy issue, and the
11 lighting class, which was not included in the allocation because of
12 the rate consolidation as discussed in Westar witness John
13 Wolfram's testimony. Then the property tax roll-in to base rates was
14 allocated to the customer classes based on adjusted test year kWh
15 usage. This allocation method was used because the property tax

1 surcharge is billed on the basis of kWh usage. The last part of the
2 first step rate change was the allocation of the Interruptible Service
3 Rider (ISR) credit between the classes. This allocation was based
4 on the net revenue change that resulted from the overall revenue
5 decrease and property tax roll-in allocations discussed above.

6 The second step rate change was used to allocate the overall
7 base rate change from step one and step two. The revenue
8 requirement increase was allocated using the class cost of service
9 as a guide but also considering the ratemaking principle of
10 gradualism. Westar's particular guideline in this regard is that rate
11 classes with a relative rate of return less than the system average
12 would receive no more than one and a half times the overall system
13 average increase with the property tax roll-in included in base rates.
14 This included the residential and church classes. The school class
15 was allocated the system average and the remaining revenue
16 requirement change was allocated to the remaining classes on an
17 equal percentage basis (with the exception of lighting which did not
18 include an increase due to the consolidation of the North and South
19 lighting tariffs, as discussed previously).

20 **Q. WERE THERE ANY EXCEPTIONS TO THE GUIDELINE AND**
21 **IMPACTS AS DISCUSSED ABOVE?**

22 Yes. There are some sub-classes that experience an increase
23 greater than one and a half times the system average due the

1 structure of the tariffs. This includes the Residential Conservation
2 subclass in the Residential class and the Unmetered and Short-Term
3 Service subclasses in the SGS class. In addition, there are three
4 large industrial customers with specially-designed rates with rates of
5 return below the system average rate of return. Two of these are
6 special contract customers and the third is on the Interruptible
7 Contract Service Rate Schedule ICSR. These were allocated less
8 than the system average increase because of the unique nature of
9 both their consumption and their contractual service arrangements.

10 **Q. DO THE PROPOSED REVENUE ALLOCATIONS FOR THE RATE**
11 **CLASSES RESULT IN RATES THAT ARE FAIR, JUST AND**
12 **REASONABLE?**

13 A. Yes. The proposed rates were developed with guidance from the
14 cost of service study but also take into consideration the attributes of
15 sound rate design and consistency with traditional ratemaking
16 practices adopted by the Commission in previous rate cases.

17 IX. RATE DESIGN

18 **Q. WHAT GUIDELINES OR CRITERIA DOES WESTAR EMPLOY TO**
19 **EVALUATE ITS RATE SCHEDULES?**

20 A. In this case, as in previous rate cases, Westar generally adheres to
21 the principles outlined by ratemaking scholar James C. Bonbright in
22 his formative work, *Principles of Public Utility Rates*. This approach
23 is described in more detail by Westar witness Mr. Wolfram in his
24 direct testimony.

1 **Q. IS WESTAR PROPOSING REVISIONS TO ITS RATE**
2 **SCHEDULES?**

3 A. Yes. Westar is proposing the following changes:

- 4 • increasing the basic service fee for residential customers by
5 \$4.00 and an for commercial and industrial customers at a
6 similar percentage;
- 7 • restructuring the Residential Standard Distributed Generation
8 (RSDG) rate to a three-part rate;
- 9 • adding the Electric Transit (ETS) rate for public transit
10 customers utilizing electric transit vehicles;
- 11 • adding the Public Electric Vehicle Charging Station Service
12 (CCN) rate for electric vehicle (EV) charging stations;
- 13 • adding an optional demand rate for residential customers, the
14 Residential Peak Efficiency Rate (RPER);
- 15 • adding the Residential Electric Vehicle (REVR) rate for
16 customers with electric vehicles; and
- 17 • restructuring our street lighting rates to complete rate
18 consolidation between the Company's North and South
19 territories.

20 The structure of all other residential, commercial, and industrial rates
21 will remain unchanged.

22 **Q. PLEASE DISCUSS WHY THERE IS NEED TO INCREASE THE**
23 **BASIC SERVICE FEES FOR ALL CUSTOMER CLASSES.**

24 A. A large portion of costs incurred to serve our customers is fixed while
25 only a small portion of those fixed costs are recovered through the
26 basic service fee. As such, fixed and variable charges, which are
27 based on customer usage, need to be better aligned. The proposed
28 basic service fee increases, which will occur only in the first step of

1 our requested two-step rate change, makes progress toward better
2 aligning fixed costs to fixed cost recovery. Westar witness Mr.
3 Amen’s class cost of service study provides support for this proposal.

4 **Q. PLEASE PROVIDE AN OVERVIEW OF THE PROPOSED**
5 **REVISIONS TO THE RSDG RATE.**

6 A. Pursuant to the Commission’s findings in Docket No. 16-GIME-403-
7 GIE, Westar is proposing to revise the RSDG tariff in order to add a
8 demand charge, reduce the energy charge, and eliminate the block
9 rate structure. Westar witness Dr. Faruqui addresses the changes
10 to the RSDG rate in great detail in his direct testimony.

11 **Q. DID WESTAR CONDUCT ANY ADDITIONAL REVIEWS OF**
12 **QUANTIFIABLE OR AVOIDED COSTS FOR THE RSDG CLASS?**

13 A. Yes. Experts in our generation and distribution groups reviewed the
14 impacts of residential DG customers on the Westar system. At this
15 point, no quantifiable or avoided costs were identified.

16 **Q. PLEASE PROVIDE AN OVERVIEW OF THE PROPOSED ETS**
17 **RATE.**

18 A. Late last year, the Topeka Metro Transit Authority (“TMTA”)
19 approached Westar to explore the concept of a public transit electric
20 rate schedule. The TMTA is contemplating converting a portion of
21 its bus fleet to electric vehicles. Westar is proposing a new ETS rate
22 schedule to support this initiative; the rate schedule is applicable for
23 transit use in support of charging electric transit vehicles during off-

1 peak periods. Westar witness Mr. Wolfram addresses this proposed
2 rate in more detail in his direct testimony.

3 **Q. PLEASE PROVIDE AN OVERVIEW OF THE PROPOSED CCN**
4 **RATE.**

5 A. Westar is proposing a new rate for EV charging stations. Kansas
6 City Power & Light Company offers a rate schedule for EV charging
7 stations that are located at utility-owned or third-party-owned sites.
8 The rate was approved in Docket No. 16-KCPE-160-MIS. Westar
9 expects continued growth and customer interest in the EV space and
10 anticipates the need for providing electric service to EV charging
11 stations in the Westar service territory. The proposed Rate Schedule
12 CCN is based on the KCP&L tariff. Westar witness Mr. Wolfram
13 addresses this proposed rate in more detail in his direct testimony.

14 **Q. PLEASE PROVIDE AN OVERVIEW OF THE PROPOSED RPER**
15 **RATE.**

16 A. Westar is proposing a new rate offering called the RPER rate. The
17 RPER rate is aimed at promoting off-peak residential efficiency
18 initiatives. The rate is an optional three-part rate that provides an
19 incentive for residential customers to shift demand to the off-peak
20 hours. It is possible that offering this optional rate will introduce the
21 revenue impacts of rate switching. Westar proposes to address this
22 in two ways. First, if a customer switches to the RPER rate, the
23 customer cannot switch back to the RS rate for one year, in order to

1 mitigate the adverse effects of rate switching. However, given the
2 lack of experience with this type of tariff for some customers, Westar
3 will allow a one-time opt-out of the one-year requirement. If the
4 customer determines that the tariff is not the best fit based on their
5 circumstances, the customer can request to switch back to their prior
6 rate schedule and not have to wait the full year. Second, Westar
7 seeks to defer the difference in revenue in comparison to the RS rate
8 to a deferred regulatory asset/liability account for inclusion in the next
9 rate case. Westar witness Mr. Wolfram addresses this proposed rate
10 in more detail in his direct testimony.

11 **Q. PLEASE PROVIDE AN OVERVIEW OF THE PROPOSED REVR**
12 **RATE.**

13 A. Westar is proposing a new rate offering called the REVR rate. In this
14 case, we are proposing that the tariff be identical to the Residential
15 Peak Efficiency Rate but with different terms and conditions. This
16 tariff is aimed at promoting off-peak charging of EVs. The tariff
17 establishes our intent to implement different rates for residential
18 customers charging an electric vehicle at their residence during off-
19 peak hours. At this time, we do not have sufficient data to determine
20 an appropriate difference in rates for the tariff. Like the proposed
21 RPER rate, Westar is requesting that this tariff be also be included
22 in the rate switching deferral approach. Westar witness Mr. Wolfram
23 addresses this proposed rate in more detail in his direct testimony.

1 **Q. PLEASE PROVIDE AN OVERVIEW OF THE PROPOSED**
2 **REVISIONS TO THE STREET LIGHTING RATE SCHEDULES.**

3 A. Westar is proposing to complete the consolidation of street lighting
4 schedules for the Westar North and Westar South rate areas. This
5 is described in detail in the testimony of Westar witness Mr. Wolfram.
6 Westar is not proposing other incremental base rate increases to the
7 lighting schedules in this case.

8 **Q. DOES THE COMPANY PLAN TO IMPLEMENT A CUSTOMER**
9 **EDUCATION PROGRAM ALONG WITH THE NEW RATE**
10 **STRUCTURES?**

11 A. Yes. In accordance with the order in Docket No. 16-GIME-403-GIE,
12 Westar will be implementing a customer education program as soon
13 as practical for all existing and new customers taking service under
14 the RSDG rate schedule upon approval by the Commission in this
15 docket. Likewise, customer education for the new RPER and REVR
16 rates will be provided as well.

17 **Q. PLEASE EXPLAIN WESTAR'S CURRENT AND FUTURE**
18 **CUSTOMER EDUCATIONAL ACTIVITIES.**

19 A. Westar currently educates customers on rates through customer
20 email, bill inserts, and rate information on the Westar website. For
21 demand charges, the current dashboard that resides on the website
22 can help a customer better understand what demand means. Future
23 educational activities will include an energy cost estimator located on

1 the website dashboard that a residential customer can utilize. It will
2 clearly explain the demand component and how it impacts their
3 monthly bill. Additionally, the customer will be provided information
4 on the best ways to manage their bills through modifying
5 consumption behavior, which allows the customer to be in better
6 control of their electric bills. Additional details on current and future
7 customer education activities are reflected in Exhibit LMW-4

8 **X. CHANGES TO THE PROPERTY TAX SURCHARGE AND**
9 **RETAIL ENERGY COST ADJUSTMENT RIDERS**

10 **Q. PLEASE PROVIDE AN OVERVIEW OF THE PROPOSED**
11 **REVISIONS TO THE PROPERTY TAX SURCHARGE (PTS) AND**
12 **RETAIL ENERGY COST ADJUSTMENT (RECA) RIDERS?**

13 A. We propose to remove wind generation Payments in Lieu of Taxes
14 (PILOT) and royalty payments from test year operating expense and
15 instead recover them in the PTS rider and RECA, respectively.
16 These adjustments are detailed in Westar witness Bouzianis direct
17 testimony. Although wind generation is exempt from property taxes
18 in Kansas, Westar makes PILOT payments to counties and school
19 districts where Westar owns wind generation. As PILOT payments
20 are in lieu of property taxes, it is appropriate to include them in the
21 PTS rider. Westar also makes royalty payments to land owners
22 where wind facilities are located. These payments are based on
23 actual energy produced. Because such payments are based on
24 production, consistent with fuel and purchased power, these costs

1 are appropriate for inclusion in RECA. If the Commission approves
2 this request, Westar will file compliance tariffs to effect these two
3 changes. Other proposed changes to RECA regarding treatment of
4 wholesale contracts are discussed in Westar witness Fowler's direct
5 testimony.

6 **XI. GENERAL TERMS AND CONDITIONS**

7 **Q. PLEASE EXPLAIN THE PROPOSED CHANGES TO WESTAR'S**
8 **GENERAL TERMS AND CONDITIONS OF SERVICE.**

9 A. These are all minor and non-substantive changes to language in the
10 Index and Sections 2, 3, and 12. In the Index, the reference to
11 customer charge should be corrected to basic service fee; Section 2
12 is to update the company mailing address for notices; Section 3 is to
13 add "may" to the initial customer deposit requirement; and Section
14 12 is to correct references to other sections.

15 **XII. ACCOUNTING TREATMENT FOR WESTERN PLAINS WIND**
16 **FARM ALTERNATIVE RATEMAKING OPTION**

17 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY ALTERNATIVE**
18 **RATEMAKING FOR THE WESTERN PLAINS INVESTMENT?**

19 A. As mentioned in Westar witness Ruelle's testimony and further
20 described in Westar witness Bridson's direct testimony, an
21 alternative approach to ratemaking for the wind farm would be to set
22 a level annual revenue requirement over the projected 20-year life of
23 the investment. Such an approach avoids the inherent volatility in
24 annual revenue requirements that result from realization of

1 production tax credits (PTC) from wind farm ownership and avoids
2 rate shock when those credits expire. Under the approach, we
3 propose that customers will pay a stable price for this generation
4 resource over the next 20 years. This is effectively treating the wind
5 farm like a purchase power agreement for the benefit of our
6 customers.

7 **Q. IF THE COMMISSION ACCEPTS THE LEVELIZED APPROACH,**
8 **WHAT WOULD BE THE IMPACT ON WESTAR'S REVENUE**
9 **REQUEST IN THIS PROCEEDING?**

10 A. As requested in this filing, the revenue requirement for Western
11 Plains in the test year under traditional ratemaking is \$31.8 million.
12 As reflected in Exhibit LMW-3, under the levelized approach, the
13 revenue requirement would decrease to \$26.3 million – a benefit of
14 \$5.5 million that customers would realize immediately when rates
15 become effective in late September, 2018.

16 **Q. TO TAKE ADVANTAGE OF THIS APPROACH, WOULD THERE**
17 **NEED TO BE SPECIAL ACCOUNTING TREATMENT FOR**
18 **WESTERN PLAINS?**

19 A. Yes. An Accounting Authority Order (AAO) would be required to
20 record the annual difference in revenue requirements under the
21 traditional ratemaking approach and the levelized approach as either
22 a regulatory asset or regulatory liability over the life of the project.
23 This annual difference, as shown in Exhibit LMW-3, would be

1 recorded as a regulatory asset when traditional revenue
2 requirements are greater than levelized and a regulatory liability
3 when traditional revenue requirements are lower than levelized. At
4 the end of the project life, the cumulative result will be a zero
5 regulatory asset-liability balance. This will result in Westar's
6 customers neither overpaying or underpaying for the benefits
7 received from the investment in this generation resource.

8 **Q. IS THIS THE BEST ALTERNATIVE RATEMAKING APPROACH**
9 **FOR WESTERN PLAINS?**

10 A. It is the best approach for customers when placing the wind farm in
11 rate base for cost recovery, but not the best approach for matching
12 costs and benefits of a wind farm or other zero fuel cost generation
13 resources for our customers.

14 **Q. WHAT WOULD BE THE IDEAL APPROACH TO MATCH COSTS**
15 **AND BENEFITS OF THE WIND FARM FOR WESTAR'S**
16 **CUSTOMERS?**

17 A. The ideal approach would be for customers to start paying for the
18 cost of the wind farm at the time they start receiving benefits. Since
19 the benefits of this zero fuel cost generation resource started flowing
20 through the Retail Energy Cost Adjustment (RECA), to the benefit of
21 our customers, as soon as Western Plains was operational in
22 February 2017, a mechanism to start recovery of the investment at
23 that same time would be an improvement rather than deferring

1 inclusion to the time of the next general rate case. Without that
2 matching, the customers will experience unnecessary volatility in
3 their electric bills – first, through a lower RECA rate, then followed by
4 higher base rates to recover the investment that provided those lower
5 RECA rates. A smoothing of the rate impact by including the costs
6 of the wind farm in rates at the same time the benefits flow to
7 customers is the best approach.

8 **Q. ARE YOU INTRODUCING AN ALTERNATIVE RATE RECOVERY**
9 **MECHANISM FOR FUTURE WIND RESOURCES TO ALIGN WITH**
10 **WESTAR'S RECA?**

11 A. No. I am not introducing that at this time but it is something for future
12 consideration. As the electric industry continues to evolve and there
13 is more customer demand to bring on zero fuel cost renewable
14 resources as fast as possible, there will be a requirement from those
15 that provide the capital for these investments to earn a fair return
16 sooner.

17 **Q. THANK YOU.**

Westar Energy, Inc.		
Test Year Ended 6/30/2017		
Rate Case Pro Forma and Elimination Adjustments		
Adj No.	Title of Adjustment	Witness
Eliminations		
EA-1	Elimination of AROs	Kevin Kongs
EA-2	RECA/Fuel Elimination	Mike Rinehart
EA-3	Transmission Elimination	Mo Awad
EA-4	Elimination of FERC AFUDC	Rebecca Fowler
Rate Base		
RB-1	800 Kansas Second Floor	Kevin Kongs
RB-2	Reg. Liability - Aquila Consent Fee	Jeanette Bouzianis
RB-3	Construction Work in Progress (CWIP)	Kevin Kongs
RB-4	Reg. Liability – Deferred Pensions Expense	Miranda Dick
RB-5	Merger Savings - KGE	Kevin Kongs
RB-6	Reg. Asset - Difference in Depreciation Rates	Kevin Kongs
RB-7	Reg. Liability - Stateline	Mike Rinehart
RB-8	Transmission Portion of Adjustments	Mo Awad
RB-9	Reg. Asset – La Cygne Accounting Authority Order (AAO)	Kevin Kongs
RB-10	Analog Meter Retirements	Kevin Kongs
RB-11	Production Tax Credits	Andy Devin
Section 9		
IS-1	Weather Normalization	Larry Wilkus
IS-2	Customer Annualization	Larry Wilkus
IS-3	Unbilled Revenues	Mike Rinehart
IS-4	Out-of-Period Revenues	Mike Rinehart
IS-5	Rate Annualization	Mike Rinehart
IS-6	Company-Owned Life Insurance (COLI-KG&E)	Miranda Dick
IS-7	Depreciation Study	Ron White
IS-8	Employee Benefits Changes	Miranda Dick

Adj No.	Title of Adjustment	Witness
IS-9	Payroll Expenses	Miranda Dick
IS-10	Pension Expense	Miranda Dick
IS-11	Interest on Customer Deposits	Mike Rinehart
IS-12	Wolf Creek Settlement	Jeanette Bouzianis
IS-13	Donations	Robin Allacher
IS-14	Rate Case Expenses	Rebecca Fowler
IS-15	Advertising Expense	Robin Allacher
IS-16	Merger Transition Costs	Kevin Kongs
IS-17	Wolf Creek Outage	Rebecca Fowler
IS-18	EEI Dues	Robin Allacher
IS-19	Expense Elimination	Robin Allacher
IS-20	Relocation Expenses	Robin Allacher
IS-21	Generation O&M	Jeanette Bouzianis
IS-22	Bad Debt Expense	Mike Rinehart
IS-23	Merger Savings – KG&E	Kevin Kongs
IS-24	Annualized Depreciation	Kevin Kongs
IS-25	Reg. Asset - SmartStar	Rebecca Fowler
IS-26	800 Kansas Second Floor	Kevin Kongs
IS-27	Transmission Portion of Adjustments	Mo Awad
IS-28	Reg. Liability - State Line	Mike Rinehart
IS-29	Reg. Liability – Deferred Pensions Expense	Miranda Dick
IS-30	Reg. Asset – Prepay Program Annualization	Rebecca Fowler
IS-31	Wolf Creek Water Rights	Rebecca Fowler
IS-32	Customer Billing Expense	Robin Allacher
IS-33	Reg. Asset – Grid Security	Rebecca Fowler
IS-34	Insurance Premium Increase	Kevin Kongs
IS-35	Interruptible Service Rider Credits (ISR)	Robin Allacher
IS-36	Service Agreements	Rebecca Fowler
IS-37	Knock and Collect	Larry Wilkus
IS-38	Occidental revenue loss	Mike Rinehart
IS-39	Reg. Asset - Analog Meter Retirements	Kevin Kongs
IS-40	Western Plains Wind Farm O&M	Jeanette Bouzianis
IS-41	LyCygne Dismantlement Cost	Jeanette Bouzianis
IS-42	Property Tax Surcharge	N/A
IS-43	Wholesale Contract Revenue Decrease	Jeanette Bouzianis
IS-44	Wind Generation Pilot and Royalty Payments	Jeanette Bouzianis

IS-45	Environmental Assessment Increase	Jeanette Bouzianis
IS-46	Production Tax Credit Changes	Andy Devin
IS-47	Interest Synchronization	Andy Devin
IS-48	Tax Elimination Adjustment	Andy Devin
IS-49	Tax Prior Year Adjustments	Andy Devin
IS-50	MKEC Revenue Loss	Rebecca Fowler
IS-51	COLI – Westar Energy	Miranda Dick
IS-52	Effect of Federal Tax Rate Change	Andy Devin

WEATHER NORMALIZATION METHODOLOGY

The methodology can be summarized as follows:

1. Perform multiple regression analysis for Westar North and Westar South rate classes (all industrial and lighting rate classes are excluded) on historical monthly sales data. The independent variables used to capture the weather effects are monthly heating and cooling degree-days.
2. Disaggregate sales data into the following four base regions:
 - Region 1 – Eastern and Central Kansas
 - Region 2 – Western Kansas
 - Region 3 – Wichita
 - Region 4 – Southeastern Kansas
3. Divide monthly sales data by the corresponding number of customers to derive monthly kWh use per customer. The regression models used monthly use per customer as the dependent variable.
4. Obtain the independent variables from the following weather stations for use as independent variables in the regression models:
 - Region 1 - Topeka
 - Region 2 - Salina
 - Region 3 – Wichita
 - Region 4 – Parsons
5. Develop regression models using weather data. Information from January 2006 through June 2017, for Topeka, Salina, Wichita and Parsons was used.
6. Calculate monthly degree-day departures from normal for both cooling and heating by base region for the test year. For each region, the difference was calculated from the following weather stations:
 - Region 1 - Topeka
 - Region 2 - Salina
 - Region 3 - Wichita
 - Region 4 – Parsons
7. Use regression results to derive test-year sales weather normalization adjustments on a class-by-class and region-by-region basis, then aggregate to the company level. ¹

¹ To make the appropriate adjustment to the billing determinants, the monthly weather data for the test year were compared to the normal weather data and the difference between them was multiplied by the regression coefficients. This determines the volumetric adjustment, which is then multiplied by the rate to calculate the revenue adjustment for each rate class.

Westar Energy, Inc.
Western Plains
Levelized Revenue Requirement Example
dollars in thousands

1 **Ownership Assumptions:**

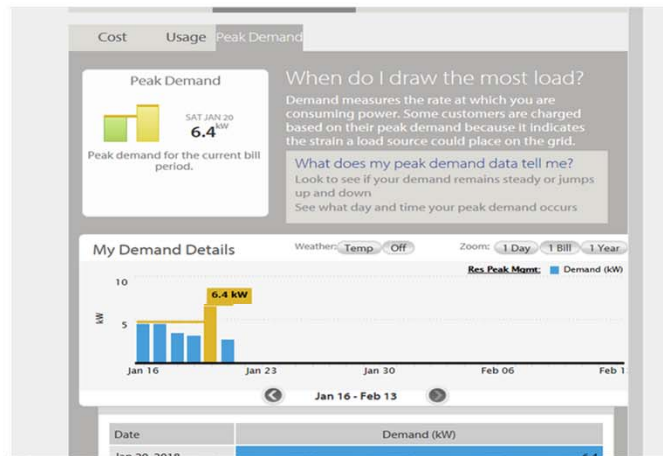
Yr	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
2																					
3																					
4	Western Plains Wind Farm																				
5	MW Capacity	280.6																			
6	Capacity Factor	46.57%																			
7	Annual MWh	1,144,717																			
8																					
9	Land	\$ 15	<i>Gross plant per ledger 6/30/2017</i>																		
10	Depreciable Basis	414,757	<i>Gross plant per ledger 6/30/2017</i>																		
11	Decommissioning	13,471	<i>Exclude from rate base</i>																		
12	Total Project Cost	\$ 428,243																			
13																					
14	O&M Assumptions:																				
15	Labor and overheads	\$ 645																			
16	Subcontract labor	5,353																			
17	Other O&M	807																			
18	O&M excluding Royalty and PILOT payments	\$ 6,806																			
19	Variable O&M inflated in annual dollars	\$ 6,806	\$ 6,976	\$ 7,150	\$ 7,329	\$ 7,512	\$ 7,700	\$ 7,893	\$ 8,090	\$ 8,292	\$ 8,500	\$ 8,712	\$ 8,930	\$ 9,153	\$ 9,382	\$ 9,617	\$ 9,857	\$ 10,103	\$ 10,356	\$ 10,615	\$ 10,880
20	Royalty Payments:	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,011	\$ 3,583	\$ 3,583	\$ 3,583	\$ 3,583	\$ 3,583
21	PILOT and Other fees:	\$ 1,227	\$ 1,264	\$ 1,302	\$ 1,341	\$ 1,381	\$ 1,423	\$ 1,465	\$ 1,509	\$ 1,555	\$ 1,601	\$ 1,649	\$ 1,699	\$ 1,750	\$ 1,802	\$ 1,856	\$ 1,912	\$ 1,969	\$ 2,028	\$ 2,089	\$ 2,152
22																					
23		<u>Wind</u>																			
24	Book Depreciation	4.95%																			
25	MACRS 5	20.00%	32.00%	19.20%	11.52%	11.52%	5.76%														
26																					
27	Property Tax - Wind	10-Year Exemption		0.00%																	
28																					
29	Wind Production Tax Credit	\$ (24.00)	per MWh	1	1 = tax credit, 2 = no tax credit																
30	Fuel \$/MWh - Wind	\$ (24.00)	\$ (24.60)	\$ (25.22)	\$ (25.85)	\$ (26.49)	\$ (27.15)	\$ (27.83)	\$ (28.53)	\$ (29.24)	\$ (29.97)										
31	Ten Year Tax Credit from In-Service	\$ (24.00)	\$ (25.00)	\$ (25.00)	\$ (26.00)	\$ (26.00)	\$ (27.00)	\$ (28.00)	\$ (29.00)	\$ (29.00)	\$ (30.00)										
32																					
33	Annual Insurance	\$ 170	<i>\$170,293 is the annual premium for Western Plains (3/15/2017 - 3/15/2018)</i>																		
34	Insurance Rates (inflated)	\$ 170	\$ 179	\$ 188	\$ 197	\$ 207	\$ 217	\$ 228	\$ 240	\$ 252	\$ 264	\$ 277	\$ 291	\$ 306	\$ 321	\$ 337	\$ 354	\$ 372	\$ 390	\$ 410	\$ 430
35																					
36	General Inflation	2.5%																			
37	Insurance Inflation	5.0%																			
38	Tax Rate	26.53%																			
39																					

Capital Structure: <i>Currently Authorized per Order in Docket #: 15-WSEE-115-RTS</i>			After Tax	Pretax	After Tax
	Percent	Cost	WACC	WACC	w/Tax Shield
41					
42	Debt	48.41%	4.65%	2.25%	2.25%
43	Equity	51.59%	9.85%	5.08%	6.92%
44				7.33%	9.17%
45					6.74%

Customer Education Peak Demand Charges

Educational activity we do today – All Customers

- **Dashboard** – Demand, with definition, is displayed on the landing page of the dashboard.



Educational activity we do today – DG Customers

- **One point of contact** – DG Customers receive personal assistance via interconnection process.

Future educational activities - DG and potential DG Customers

- **Update web page “Are you thinking about private solar”**
 - Include video or graphic
 - Clear information on what peak demand is and the rate applied following interconnection.
 - Information on where to find their current demand on their dashboard
- **Update the current customer email communication**
 - Modify customer email when application is received to include:
 - Information on new rate with definitions
 - Information on where they can see their current peak demand
 - Modify customer email when bi-directional meter is set to include:
 - Sample bill
 - Information on how to impact demand
 - Screen shots of their dashboard showing where demand is displayed
- **Inquires**
 - CRC will be trained to discuss demand rates with DG inquires

Future educational activities – All Customers

- **Social Media/Westar Wire** - Develop a communication plan around peak demand showing the customer the location on the landing page. “Here is your peak demand and what it is” , “Have you seen the new information we are giving you?”

The My Energy Estimator is a tool that will reside on the Westar Energy website to help residential customers calculate their estimated bill based on new DG rates. A link will be placed on the My Westar dashboard page to the My Energy Estimator.

My Energy Estimator

Estimate your energy costs

Your monthly average usage is: kwh

Your peak demand:

What time of year: Summer Winter

Your estimated monthly bill would be: \$174.11

[Click here if you would like to learn more about how to use energy more effectively and lower your bill.](#)

To be prepopulated with the customer's average usage over the last 12 months but can be changed by the customer to calculate a new estimated bill.

To be prepopulated with the customer's current demand but can be changed by the customer to calculate a new estimated bill.

The customer can select either Summer or Winter to see the change in their estimated bill.

The customer clicks here for tips on how to manage their energy costs and to help understand peak periods and how some home appliances affect the peak demand.

The full My Westar Page with the Demand component on the bottom page.

The next slide shows the help text with the demand question mark selected.

Westar Energy

Contact Careers Investors Hello John | Account: 6017063862 | Log Out

View / Pay Bill Outage Center Start or stop service Clean Energy Kansas

Did you know you can sign up for text alerts and receive updates on your phone? [Learn more.](#)

My account My Westar

Current Billing Information

6017063862 - 4125 SW WOODBURY CT N

[View Bill History](#)

Account Balance: \$0.00

No payment required at this time.
Last payment of \$139.44 received on 1/19/2018

Your account balance will be paid by automatic bill payment. (Visit [My automatic bill payments](#) to change)

- ✔ Outage Alerts [View / Change](#)
- ✔ Bill Alerts [View / Change](#)
- ✔ Paperless Billing [View / Change](#)
- ✔ Auto Bill Pay [View / Change](#)
- ✔ Average Billing [View / Change](#)

APP Settlement Amount (\$212.61)

Usage Detail

[Usage](#) | [Statements](#) | [History](#)

[My Energy Dashboard](#)

kWh 2017 2018

kWh (Kilowatt Hours) used

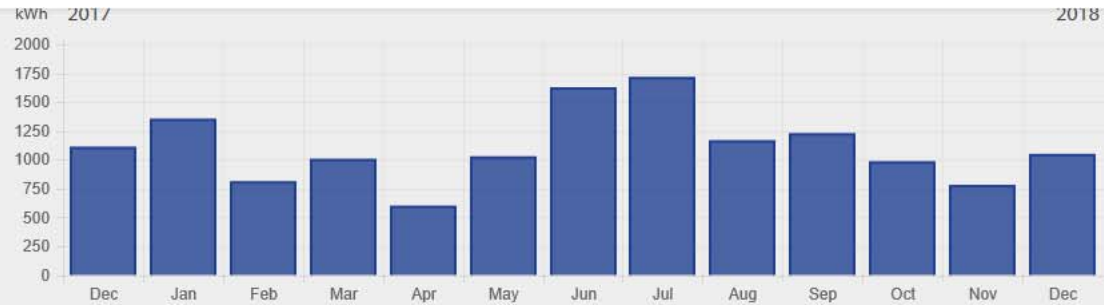
	Current Month	Last Month	Last Year
Days	33	30	31
kWh	1051	782	1114
kWh per day	31	26	35
Demand	9	6	13

The help text is on the Demand line.

Usage Detail

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My Energy Dashboard



kWh (Kilowatt Hours) used

	Current Month	Last Month	Last Year
Days	33	30	31
kWh	1051	782	1114
kWh per day	31	26	35
Demand	9	6	13

Demand is the rate at which you consume electricity – or that amount needed to power your home or business at any given point in time. Demand is the amount of energy your home or business needed during the highest 15-minute interval of this billing period.

For Example:

A single light bulb demands 100 watts of electricity at any given moment. So, if you use ten 100-watt light bulbs at one time, they demand 1,000 watts (1 kW) of electricity to operate. And if that moment when all ten light bulbs were on was the moment when you needed the most energy, then your demand for this billing period would be 1kW. You can see how running your dishwasher, furnace, dryer, space heater and oven at the same time of day would significantly increase your demand.

Additional Links