

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

**REBUTTAL TESTIMONY
OF
JEANETTE BOUZIANIS
WESTAR ENERGY**

DOCKET NO. 18-WSEE-328-RTS

I. INTRODUCTION

1

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

3 A. Jeanette Bouzianis.

4 **Q. ARE YOU THE SAME JEANETTE BOUZIANIS WHO FILED**
5 **DIRECT TESTIMONY IN THIS MATTER?**

6 A. Yes.

7 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

8 A. The purpose of my testimony is to respond to the Working Capital
9 adjustments proposed by Kansas Corporation Commission Staff
10 (Staff) witness Ms. Luke-Fry, Citizens' Utility Ratepayers Board
11 (CURB) witness Ms. Crane, and The United States Department of
12 Defense and all other Federal Executive Agencies (DoD/FEA)

1 witness Mr. Morgan. I will also respond to the Wolf Creek
2 Settlement adjustment proposed by Staff witness Ms. Figgs.

3

4

II. WORKING CAPITAL UPDATE

5

**Q. PLEASE SUMMARIZE THE METHODOLOGY WESTAR
6 APPLIED IN CALCULATING WORKING CAPITAL BALANCES
7 AS FILED IN THIS RATE CASE.**

8

A. Westar's Application consists of four components of Working
9 capital, including Materials and Supplies, Fossil Fuel, Prepayments,
10 and Nuclear Fuel. All but Nuclear Fuel were calculated based on
11 our traditional method of using the 13-month average balance
12 through the end of the test year, which in this case is June 30,
13 2017. Nuclear Fuel inventory is based on an 18-month average
14 through the end of the test year., which reflects a normal refueling
15 cycle.

16

**Q. PLEASE EXPLAIN STAFF'S ADJUSTMENT TO WORKING
17 CAPITAL AS PROPOSED BY MS. LUKE-FRY.**

18

A. Ms. Luke-Fry is proposing to update the Working Capital balances
19 to the average for the period ending March 31, 2018, rather than
20 using the June 30, 2017 test year-end balances in the filed
21 application.

1 **Q. IS IT APPROPRIATE TO UPDATE THE WORKING CAPITAL**
2 **BALANCES TO MORE CURRENT KNOWN AND MEASURABLE**
3 **INFORMATION?**

4 A. Yes. As explained in Ms. Luke-Fry's testimony, using current
5 known and measurable information is more reflective of Westar's
6 ongoing cost of doing business and, therefore, more likely to result
7 in just and reasonable rates. Staff's adjustment results in a
8 decrease to rate base of \$2,699,189.

9 **Q. DO YOU AGREE WITH MS. LUKE-FRY'S ADJUSTMENT?**

10 A. Yes and no. I agree with updating the average balances to March
11 31, 2018, which provides more current known and measurable
12 information for each of the working capital components.

13 **Q. WHAT PART OF MS. LUKE-FRY'S ADJUSTMENT DO YOU NOT**
14 **AGREE WITH?**

15 A. In her testimony, Ms. Luke-Fry incorrectly states that Westar's
16 Application includes a 13-month average for Nuclear Fuel and an
17 18-month average for Fossil Fuel and she uses these averages to
18 calculate her proposed rate base adjustment. As I stated earlier,
19 Westar calculated the Fossil Fuel balance based on a 13-month
20 average and the Nuclear Fuel balance based on an 18-month
21 average. Had Ms. Luke-Fry used the averages based on Westar's
22 filed Application, as she intended to do, her rate base adjustment
23 would have been a decrease of \$5,953,431, as reflected in Exhibit

1 JB-1. Since that is the correct result, we propose the adjustment
2 even though it will reduce our revenue requirement.

3 **Q. PLEASE EXPLAIN CURB'S ADJUSTMENT TO WORKING**
4 **CAPITAL AS PROPOSED BY MS. CRANE.**

5 A. Ms. Crane recommends an adjustment for Fossil Fuel inventory
6 using the most recent 36-month average, through March 31, 2018,
7 rather than the traditional 13-month average, indicating that such
8 an adjustment would be more representative of prospective
9 operations. She did not adjust any of the other working capital
10 components to the more recent date of March 31, 2018.

11 **Q. WHAT IS THE EFFECT OF THIS ADJUSTMENT?**

12 A. Ms. Crane's adjustment results in a decrease to rate base of
13 \$6,770,918, which is based on a 37-month average, rather than 36-
14 month average that Ms. Crane discusses in her testimony.

15 **Q. DO YOU AGREE WITH MS. CRANE'S WORKING CAPITAL**
16 **ADJUSTMENT?**

17 A. No. Ms. Crane does not provide sufficient basis to deviate from the
18 traditional use of a 13-month average for Fossil Fuel Inventory. As
19 Ms. Crane notes, Fossil Fuel Inventory levels are a function of
20 production at our coal plants which are in turn affected by prices in
21 the SPP market. The 13-month average reflects our operations
22 under the most recent market conditions and is a better predictor of
23 inventory levels than reaching out three years.

1 Additionally, although Ms. Crane proposes adjusting Fossil
2 Fuel inventory to the more recent March 31, 2018 date, she does
3 not apply this same methodology to the other Working Capital
4 components. It would be inappropriate to adjust only one element
5 of Working Capital while not applying the same treatment to the
6 other elements.

7 **Q. PLEASE EXPLAIN THE DOD/FEA'S ADJUSTMENT TO**
8 **WORKING CAPITAL PROPOSED BY MR. MORGAN.**

9 A. Mr. Morgan is updating all components of Working Capital to the
10 more recent March 31, 2018 date with the intent of using a 13-
11 month average for each of the four components, including Nuclear
12 Fuel, which, as previously stated, is based on an 18-month average
13 in Westar's Application. A review of Mr. Morgan's calculations
14 indicates that he used a 12-month average for Fossil Fuel inventory
15 rather than the 13-month average that he discusses in his
16 testimony.

17 **Q. WHAT IS THE EFFECT OF MR. MORGAN'S ADJUSTMENT?**

18 A. Mr. Morgan's adjustment results in a decrease to Working Capital
19 of \$6,298,793.

20 **Q. HOW DO YOU RESPOND TO MR. MORGAN'S ADJUSTMENT?**

21 A. It should be rejected. Mr. Morgan's calculations of Fossil Fuel used
22 a 12-month average rather than the 13-month average which he
23 claimed to use and which has been traditionally used and used a

1 13-month average for Nuclear Fuel rather than the 18-month
2 average the Commission has traditionally used to recognize the
3 period between Wolf Creek refueling outages.

4 **Q. WHAT DO YOU RECOMMEND TO THE COMMISSION**
5 **REGARDING WORKING CAPITAL?**

6 A. I recommend the Commission accept Staff's methodology in
7 updating all components of Working Capital to the most recent
8 March 31, 2018 date using the same averages for each component
9 that Westar used in its Application, resulting in a decrease to rate
10 base of \$5,953,431.

11 **III. WOLF CREEK SETTLEMENT**

12 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE WOLF**
13 **CREEK SETTLEMENT.**

14 A. Westar and the other owners of Wolf Creek incurred significant
15 costs in 2012 for increased fuel for replacement power and non-fuel
16 O&M costs resulting from an unplanned outage. The owners filed a
17 lawsuit claiming that the outage was caused by repair and
18 refurbishment services improperly performed by one of their
19 vendors during a scheduled outage in 2011. The matter was
20 settled with Westar receiving **** [REDACTED] **** during the test year
21 in June 2017. Of the proceeds, **** [REDACTED] **** reflected
22 compensation for increased fuel costs caused by the outage and

1 **[REDACTED]** was compensation for increased non-fuel O&M
2 expense.

3 **Q. HOW DID WESTAR INCUR INCREASED COSTS AS A RESULT**
4 **OF THE OUTAGE?**

5 A. We incurred increased fuel costs due to the need to replace Wolf
6 Creek generation with higher cost production. Both the increased
7 fuel costs and the fuel cost portion of the settlement were booked to
8 our fuel accounts. We also incurred increased non-fuel O&M costs
9 related to labor, consultants' costs, and NRC compliance costs.

10 **Q. WERE THE INCREASED COSTS THAT RESULTED FROM THE**
11 **UNPLANNED OUTAGE REFLECTED IN CUSTOMERS' RATES?**

12 A. Yes and no. The increase in fuel costs resulting from the need to
13 replace Wolf Creek power with higher cost generation were
14 reflected in rates through the operation of Westar's RECA. The fuel
15 cost-related settlement amount was also recorded to our fuel
16 accounts and is currently being returned to customers through the
17 RECA, totally offsetting the increased fuel costs related to the
18 outage. However, the increased non-fuel O&M costs that we
19 incurred were never reflected in our customers' rates.

20 **Q. WHAT IS STAFF'S POSITION REGARDING THIS ISSUE?**

21 A. Staff proposes to include the non-fuel O&M portion of the
22 settlement proceeds in Westar's revenue requirement through a
23 five-year amortization. The basis for the adjustment is Staff witness

1 Ms. Figgs' contention that "this is a payment to compensate Westar
2 for higher than usual Wolf Creek outage costs, which customers
3 pay."¹

4 **Q. DO YOU AGREE WITH STAFF'S ADJUSTMENT?**

5 A. No.

6 **Q. IS MS. FIGGS' CHARACTERIZATION OF THESE OUTAGE
7 COSTS ACCURATE?**

8 A. No. Ms. Figgs is correct in stating that customers pay the cost of
9 **scheduled** outages. However, the outage that generated the
10 additional costs and settlement was not scheduled. The outage
11 occurred when a breaker tripped causing Wolf Creek to go offline.
12 Because the costs relate to an unscheduled outage, customers did
13 not pay any of the increased non-fuel O&M costs and should not
14 receive any of the proceeds of the settlement paid to reimburse us
15 for increased non-fuel O&M.

16 **Q. WHY DID CUSTOMERS NOT PAY ANY OF THE NON-FUEL
17 COSTS RELATED TO THIS PARTICULAR OUTAGE?**

18 A. For two reasons. First, because the 2012 increased costs incurred
19 by the Wolf Creek owners occurred during an **unplanned** outage,
20 the increased non-fuel O&M costs were never eligible for recovery
21 as part of any scheduled refueling outage. Second, the non-fuel
22 O&M costs were incurred in 2012, which was outside of a test year.

¹ Direct Testimony of Katie Figgs, at 9.

1 As a result of these facts, the increased non-fuel O&M costs were
2 never included in a rate case revenue requirement or reflected in
3 rates.

4 **Q. DID WESTAR TREAT THE INCREASED FUEL COSTS AND THE**
5 **INCREASED NON-FUEL O&M COSTS DIFFERENTLY FROM**
6 **EACH OTHER IN ITS FILING?**

7 A. Yes.

8 **Q. WHY?**

9 A. The fuel costs and fuel cost-related settlement amounts were
10 booked to our fuel accounts. As a result, those costs and offsetting
11 settlement dollars were not included in the revenue requirement in
12 this proceeding. However, the non-fuel O&M portion of the
13 settlement was recorded during the test year to expense accounts
14 that are included in the revenue requirement in this proceeding.
15 Because customers never paid any of the increased non-fuel O&M
16 costs that resulted from the outage, we removed the non-fuel O&M-
17 related portion of the settlement amount from expense.

18 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

19 A. I recommend that the Commission reject Staff's adjustment.
20 Westar appropriately credited customers with the fuel-related
21 portion of the settlement through operation of the RECA since
22 customers paid the increased costs of the outage. However, the
23 non-fuel O&M-related settlement amount is an expense that was

1 borne by Westar's shareholders. It would be inappropriate to use
2 the non-fuel O&M-related portion of the settlement to benefit
3 customers when they never bore any of the related costs. The non-
4 fuel O&M settlement amount should be removed for ratemaking
5 purposes.

6 **Q. THANK YOU.**

Line No.	Description	Included in Test Year	Updated to March 31, 2018	Adjustment	Transmission Elimination	Adjustment Without Transmission
1	Materials and Supplies	192,326,378	195,026,272	2,699,894	15.1728%	2,290,244
2	Prepayments	15,924,255	16,693,967	769,712	18.5630%	626,831
3	Fossil Fuel - Coal	107,631,011	98,327,538	(9,303,473)		(9,303,473)
4	Nuclear Fuel	62,969,136	63,402,103	432,967		432,967
5	Reduction to Working Capital					(5,953,431)

	Month	Materials and Supplies 13 Month Avg	Prepayments 13 Month Avg	Fossil Fuel - Coal 13 Month Avg	Nuclear Fuel 18 Month Avg
6	Oct-16				66,687,274.23
7	Nov-16				65,169,392.57
8	Dec-16				61,951,868.24
9	Jan-17				59,146,463.73
10	Feb-17				56,903,058.56
11	Mar-17	193,364,914.32	19,187,125.41	115,865,662.75	54,784,699.03
12	Apr-17	192,315,813.49	18,552,534.87	119,935,498.58	57,581,100.51
13	May-17	193,843,464.57	17,565,415.11	116,234,263.73	56,107,987.58
14	Jun-17	194,055,004.76	17,326,399.53	106,763,854.18	53,802,451.16
15	Jul-17	195,141,295.83	16,008,893.87	94,239,711.00	61,391,377.73
16	Aug-17	194,866,310.95	15,658,423.06	87,893,356.20	62,407,772.08
17	Sep-17	195,104,126.03	14,451,848.26	87,429,501.14	64,467,276.02
18	Oct-17	195,112,312.79	13,200,943.14	93,421,353.89	75,893,270.27
19	Nov-17	196,626,255.82	14,524,008.77	95,916,529.83	73,453,121.46
20	Dec-17	198,115,964.04	14,887,138.95	94,038,951.25	71,426,203.68
21	Jan-18	195,130,126.63	18,086,339.83	91,621,042.29	68,749,240.85
22	Feb-18	195,497,443.23	18,713,111.81	85,773,716.44	66,584,742.87
23	Mar-18	196,168,503.64	18,859,393.98	89,124,553.05	64,730,559.26
24	Average Amount	195,026,272	16,693,967	98,327,538	63,402,103

Average balances based on Westar's Response to Staff Data Request No. 162

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

Jeanette Bouzianis, being duly sworn upon her oath deposes and states that she is the Director Financial Accounting for Westar Energy, Inc., that she has read and is familiar with the foregoing Rebuttal Testimony, and attests that the statements contained therein are true and correct to the best of her knowledge, information and belief.



Jeanette Bouzianis

Subscribed and sworn to before me this 2nd day of July, 2018.



Notary Public

My Appointment Expires: 11-13-2020

