BEFORE THE CORPORATION COMMISSION

OF THE STATE OF KANSAS

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

DIRECT TESTIMONY OF

BRIAN KALCIC

RE:
CLASS COST OF SERVICE, AND
RESIDENTIAL AND SMALL GENERAL
SERVICE RATE DESIGN

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

June 11, 2018

TABLE OF CONTENTS

Q. Please state your name and business address.

A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

Q. What is your occupation?

A. I am an economist and consultant in the field of public utility regulation, and principal of Excel Consulting. My qualifications are described in the Appendix to this testimony.

Q. On whose behalf are you testifying in this case?

A. I am testifying on behalf of the Citizens' Utility Ratepayer Board ("CURB").

Q. What is the subject of your testimony?

A. I will review and critique the class cost-of-service studies sponsored by Westar Energy, Inc. and Kansas Gas and Electric Company (collectively "Westar" or the "Company").

In addition, I will examine the Company's Residential and Small General Service ("SGS") rate design proposals, and sponsor appropriate modifications to those proposals.

Q. Have you incorporated CURB witness Andrea C. Crane's recommended Step 1 revenue adjustment for Westar to illustrate your alternative rate design proposals?

A. Yes, I have.

Q. Please summarize your primary recommendations.

A. Based upon my analysis of Westar's filing and interrogatory responses, I recommend that the Kansas Corporation Commission ("KCC" or "Commission"):

- reject the Company's proposed class cost-of-service methodology, since the methodology does not comport with Commission precedent;
- adopt Staff's cost-of-service study for purposes of determining an appropriate Step 1 and Step 2 class revenue allocation in this proceeding;
- reject Westar's Residential and SGS rate design proposals;
- adopt CURB's recommended Residential and SGS rate design guidelines;
- reject Westar's proposal to move the Residential Distributed Generation ("RS-DG") class to full cost of service in this proceeding; and
- adopt CURB's recommended RS-DG rate design.

The specific details associated with the above recommendations are discussed below.

I. <u>Class Cost of Service Study</u>

Q. Mr. Kalcic, please provide a general description of the cost-of-service analysis submitted by the Company in this proceeding.

A. Westar prepared a fully allocated cost-of-service study ("COSS") for the purpose of assigning the Company's claimed revenue requirement to rate classes. More accurately, Westar prepared two separate COSSs reflective of the Company's claimed Step 1 and Step 2 revenue requirements. Both cost studies employ the Company's preferred average and excess demand, four coincident peak ("AED/4CP") cost allocation methodology.

In addition, each COSS includes the traditional three-step process of functionalization, classification and allocation. *Functionalization* refers to the process whereby utility plant and related expenses are assigned to functions, such as production, transmission, distribution and customer service. *Classification* refers to the process whereby the functionalized costs are separated by cost category, namely demand-, energy-, or customer-related costs. Finally, *allocation* refers to the process whereby the utility's classified costs are assigned to rate classes, based upon a factor that reflects a causal relationship between a given class and the utility's cost incurrence.

Upon completion, a COSS produces a measure of total cost of service, by rate class. By comparing allocated cost responsibility to class revenue levels, one can determine whether a given rate class is contributing revenues that are above or below its indicated cost of service.

Q. How is a COSS used?

A. The results of a COSS are typically used as a guide in the determination of overall class revenue requirements (i.e., revenue allocation), and in the subsequent implementation of those class revenue requirements via customer, demand, or energy charges (i.e., rate design).

Q. How does the 4CP methodology differ from the AED/4CP methodology used by the Company?

A. The 4CP methodology classifies 100% of a utility's production-related investment and associated operating expenses (excluding fuel) as demand-related. Subsequently, those demand-related costs are allocated to classes on the basis of each class's contribution to the utility's four highest monthly peak demands.

The AED/4CP methodology nominally deems a utility's production-related investment and associated operating expenses (excluding fuel) as serving both a demand

and an energy function, based upon a utility's load factor.[1] For example, if a utility's system load factor were to be 55%, then 55% of production plant investment would be classified as energy-related, and 45% would be classified as demand-related. Furthermore, the AED/4CP methodology would allocate: a) the energy-related portion of production plant to classes on the basis of energy use; and b) the demand-related portion of production plant to classes on the basis of the contribution of each class to *excess* demand (i.e., the difference between each class's contribution to Westar's four highest monthly peak demands and its average demand).

Q. Do the 4CP and AED/4CP cost methodologies produce similar results?

A. Yes.

Q. Why?

A. Since the excess demand component of the Company's AED/4CP allocation factor is determined using class contributions to Westar's four highest monthly peaks, the AED/4CP and 4CP cost allocation factors would be mathematically equal, but for the fact that the Lighting class does not contribute toward Westar's coincident peak demands during the summer months.[2] In other words, the AED/4CP approach, like the 4CP methodology, is essentially a demand-based allocation methodology that gives zero weight to energy use when assigning production plant to rate classes in a COSS.

[1] Load factor is defined as the ratio of average demand to peak demand.

[2] The AED/4CP methodology assigns 100% off-peak classes, such as Lighting, a portion of fixed production costs via the average demand component. The 4CP methodology assigns zero cost responsibility to 100% off-peak classes.

Q. Has the KCC approved the use of the 4CP methodology in recent electric utility proceedings?

A. No. Counsel advises that the KCC specifically rejected the 4CP methodology in two recent Kansas City Power & Light Company ("KCPL") rate proceedings at Docket Nos. 10-KCPE-415-RTS and 12-KCPE-764-RTS.

Q. At the same time, did the KCC adopt a particular COSS methodology in either of those litigated KCPL rate proceedings?

A. Yes. In each case, the KCC adopted the Base, Intermediate, Peak ("BIP") COSS methodology sponsored by KCPL witness Paul M. Normand.

Q. Mr. Kalcic, how does the BIP methodology classify production plant?

A. As a vertically integrated electric utility, Westar maintains numerous supply resources with varied capabilities for the purpose of providing both capacity and energy for customers throughout all 8,760 hours during the year. The BIP methodology examines the design and operating characteristics of individual units, along with how those generation resources are used during the test period, and classifies production plant as either: a) base; b) intermediate; or c) peak-related.

Large generating units (e.g., nuclear and coal) are normally the first units that are dispatched to meet customer load, since such units have lower average fuel costs (and are therefore designed to run throughout the year). The BIP methodology classifies such facilities as base (load) units. The next units that would generally be dispatched to serve load, i.e., load in excess of the level served by base units, are not designed to run as many hours as base units, due to higher operating costs. Still, such units are designed to run many hours (and in all months) throughout the year. The BIP methodology classifies these load-following supply resources as intermediate units. Finally, those units that are last in the dispatch order are generally run only to meet spikes in load levels that are of shorter duration. These last units have high operating costs, and are therefore designed to run only a few hours during the year. The BIP methodology classifies these supply resources as peak units.

From a traditional classification perspective, base units are considered energy-related, while intermediate and peak units are deemed to be capacity- (or demand-) related.

Q. How does the BIP methodology allocate production plant to rate classes?

A. Base costs are allocated to classes using a *base energy* allocation factor. The base energy factor is derived from class contributions (i.e., energy consumption) to the month with the *lowest* total energy use during the test period.

Intermediate costs are allocated to classes using the *12CP Remaining* allocation factor. The 12CP Remaining factor is derived from class contributions to the system's twelve monthly peak demands ("12CP"), less the amount of class load serve by base units.

Peak costs are usually allocated to classes using the *4CP Remaining* allocation factor. The 4CP Remaining factor is derived from class contributions to the system's four highest monthly peak demands ("4CP"), less the amount of class load serve by base and intermediate units.

Q. Would you expect the AED/4CP and BIP cost methodologies to produce similar results?

A. No, because the BIP methodology gives real weight to class energy use when assigning fixed production costs to rate classes, while the AED/4CP methodology does not. Stated differently, the AED/4CP methodology will assign (1) greater cost responsibility to classes that are less energy intensive (such as residential and SGS) and (2) lesser cost responsibility to energy intensive classes, compared to the BIP method.

Q. Mr. Kalcic, does Westar's AED/4CP COSS differ from the BIP methodology in any other way besides the classification and allocation of production plant (and related expenses)?

A. Yes. The Company's AED/4CP COSS classifies a portion of distribution plant and related expenses as both customer- and demand-related, based upon the results of a minimum system analysis. To be more specific, Westar's minimum system study classifies between 38% and 67% of the Company's investment in utility Accounts 364-368 as customer related.[3] As a result, between 38% and 67% of Westar's investment in Accounts 364-368 are allocated to classes based upon the number of customers within the class.

In contrast, the BIP cost methodology approved by the Commission in KCPL Docket Nos. 10-KCPE-415-RTS and 12-KCPE-764-RTS did *not* employ a minimum system analysis to classify distribution plant. Consequently, the KCPL COSSs classified all distribution plant with the exception of services, meters and installations on customer

[3] Briefly, Accounts 364-368 are defined as follows: a) 364 - Poles, Towers & Fixtures; b) 365 – Overhead Conductors; c) 366 – Underground Conduit; d) 367 – Underground Conductors; and e) 368 – Line Transformers.

premises as demand-related, with such costs allocated to classes based on class non-coincident peak demands ("NCPs").

Q. What impact does Westar's minimum system classification of Accounts 364-368 have on class cost-of-service results, vis-à-vis the BIP methodology?

A. The classification of a portion of Accounts 364-368 as customer related will further shift (allocated) cost responsibility toward the residential class, compared to the BIP methodology.

Q. Should the KCC rely upon the Company's AED/4CP cost methodology in this proceeding?

A. No, since the AED/4CP methodology is not consistent with the BIP methodology that the KCC approved in Docket Nos. 10-KCPE-415-RTS and 12-KCPE-764-RTS.

Q. What do you recommend?

A. CURB recommends that the KCC rely upon the results of Staff's cost-of-service study to determine appropriate Step 1 and 2 class revenue allocations in this proceeding. While Staff's COSS has not historically employed the BIP methodology, it has: 1) assigned real weight to class energy use when allocating production plant to rate classes; and 2) classified Accounts 364-368 as 100% demand related. As such, CURB expects that Staff's COSS will produce results that are more consistent with the BIP methodology than any other COSS submitted in this proceeding.

II. Residential Rate Design

Q. Mr. Kalcic, please provide a brief description of Westar's current residential service rate schedules.

A. The Company serves residential customers via five rate schedules: 1) Standard Service, 2) Restricted Conservation Use Service, 3) Peak Management Service, 4) Distributed Generation Service, and 5) Time of Use - Pilot.[4] The vast majority of Westar's residential customers take Standard Service.[5] The Standard Service rate schedule contains a customer charge, a two-step declining-block winter energy charge, and a two-step inclining-block summer energy charge. The Restricted Conservation Use Service rate schedule contains a customer charge and a flat-rate energy charge that is not seasonally differentiated. The Peak Management Service rate schedule is intended to provide customers with the opportunity to lower their total monthly bills by managing their peak usage. The rate contains a customer charge, a flat-rate energy charge and a demand charge, with the latter seasonally differentiated.

Finally, the Company's current Residential Standard Distributed Generation Service ("RS-DG") rate schedule is identical to Westar's Residential Standard Service rate schedule. However, the Company is proposing to revise its RS-DG rate structure to include a customer charge, a flat-rate energy charge and a seasonally-differentiated demand charge.

Q. Does Westar propose to implement any new residential rate schedules in this proceeding?

[4] CURB will not address Westar's Time of Use – Pilot rate schedule, which presently serves approximately 20 customers.

[5] Restricted Conservation Use Service and Peak Management Service are closed to new customers.

A. Yes. Westar is proposing to add two optional rate schedules, namely: 1) the Residential Peak Efficiency Rate ("RPER"); and 2) the Residential Electric Vehicle Rate ("REVR"). CURB witness Stacey Harden will address these new rate proposals in her direct testimony.

Q. Have you prepared a summary of the Company's proposed Step 1 residential rate design?

A. Yes, I have. The Company's present and proposed residential base rate tariff charges are summarized in Schedule BK-1. As shown on line 1 of Schedule BK-1, the Company is proposing to increase the residential customer charge from $14.50 to $18.50 per month, or 27.6%. Westar proposes to recover the balance of the Standard Service subclass's revenue requirement via non-uniform decreases to Standard Service energy charges (see lines 2-7).

Residential Restricted Conservation Service customers pay the same customer charges as Standard Service customers. As shown on line 8 of Schedule BK-1, Westar proposes to recover the balance of the Restricted Conservation Service subclass's revenue requirement via a 28.0% reduction to the energy charge.

For Peak Management Service customers, the Company is proposing to increase the customer charge from $16.50 to $18.50 per month, or 12.1%. Westar proposes to recover the balance of the Peak Management Service subclass's revenue requirement via a decrease to the energy charge, while leaving existing demand charges unchanged (see lines 10-13).

Q. Please describe Westar's proposed RS-DG rate design.

A. As shown on lines 14-21 of Schedule BK-1, Westar proposes to implement a three-part rate design for RS-DG customers. The customer charge would increase from $14.50 to $18.50

per month, and existing energy charges would generally decrease as a result of implementing a flat rate energy charge. The balance of the RS-DG class's revenue requirement would be recovered via demand charges.

The Company's proposed RS-DG rates are intended to move the DG class to full cost of service, as measured by the Company's AED/4CP COSS, via a Step 1 base rate increase of approximately 30.0%. I will address the Company's proposed RS-DG rate design later in my testimony.

Q. Does the Company offer any cost support for its proposal to increase the residential customer charge to $18.50 per month?

A. Yes. Westar justifies its position based on the residential customer charge cost benchmark of $27.26 per month shown in the Company's AED/4CP COSS. However, in Westar's view, the $27.26 cost benchmark is conservative because approximately 70% of the residential revenue requirement consists of fixed costs that the Company maintains should be recovered in fixed charges.

Q. Mr. Kalcic, is Westar's position that fixed costs should be recovered in fixed charges consistent with the KCC-approved BIP cost methodology?

A. No. As discussed in the first section of my testimony, the BIP methodology classifies a portion of fixed production costs as energy related, and assigns such costs to rate classes on an energy basis. As such, the BIP methodology supports the recovery of certain fixed costs via energy charges.

Q. Does CURB agree with Westar regarding its $27.26 per month customer cost benchmark?

A. No. The Company's cost benchmark includes costs deemed to be customer-related by Westar's minimum system analysis. As previously discussed, the KCC did not approve a minimum system analysis in Docket Nos. 10-KCPE-415-RTS and 12-KCPE-764-RTS, but instead limited customer costs to the direct costs associated with serving customers, such as meters, service lines, billing, etc.

Q. Have you adjusted the Company's residential customer cost benchmark to exclude the Company's minimum system components?

A. Yes, but only in part. As shown in Schedule RJA-7, page 1 of 4, the Company's total customer cost benchmark of $27.26 per month includes Transformer ($3.16), Primary ($8.80) and Secondary ($2.33) plant investment components that total $14.29 per month. All of the Company's claimed customer-related Transformer and Primary plant cost components are minimum system costs. In addition, an unquantified portion of the Company's claimed $2.33 per month of customer-related Secondary plant investment is also minimum system related. Subtracting only the quantified minimum system costs associated with Transformers and Primary Investment of ($3.16 plus $8.80 or) $11.96 from $27.26 results in a (conservatively adjusted) customer cost benchmark of $15.30 per month.

Q. Does CURB recommend a residential customer charge of $15.30 per month in this proceeding?

A. No. As discussed below, CURB's illustrative Step 1 rate design implements an overall base rate decrease of 3.98% to non-DG residential customers. In recognition of Westar's desire to recover a greater proportion of fixed costs in fixed service charges, CURB recommends that the current residential customer charge remain unchanged at $14.50 per month, and that the KCC order Westar to implement any Step 1 residential decrease solely through a decrease to energy charges.

Q. Does CURB have an alternative customer charge recommendation?

A. Yes. In the event that the Commission decides that an increase to the customer charge is appropriate, CURB recommends that the KCC set the residential customer charge at no more than $15.30 per month.

Q. Does CURB disagree with any other aspects of Westar's proposed Step 1 non-DG residential rate design?

A. Yes. CURB disagrees with Westar's proposal to apply non-uniform adjustments to the Residential Standard Service energy charges.

Q. Does Westar provide any cost support for its proposals to (i) leave the third block winter energy charge unchanged, and (ii) apply a greater than average decrease to the third block summer energy charge applicable to Residential Standard Service customers?[6]

[6] See lines 4 and 7 of Schedule BK-1.

A. No. The Company simply states that its third block rate design proposal(s) "better aligns the energy block 3 to energy blocks 1 and 2."[7] Stated differently, the Company's proposals are intended to begin the process of eliminating the differentials in its residential third block energy charges over time.

Q. Does CURB agree with the Company?

A. No, for two reasons. First, the elimination of the winter third block energy charge would have a disproportional impact on residential electric heating customers, leading to a larger increase in electric heating bills over time.

Second, Westar's current inclining-block rate design encourages residential customers to conserve energy during the summer months. The elimination of the summer third block energy charge would undermine that conservation incentive.

Q. What does CURB recommend?

A. CURB recommends that the KCC maintain the existing differentials in Westar's third block energy charges by applying *uniform* rate adjustments to all Residential Standard Service energy charges in this proceeding.

Q. Have you prepared an alternative residential rate design and proof of revenue to illustrate CURB's non-DG residential rate design proposals in this proceeding?

A. Yes, I have. Schedule BK-2 illustrates CURB's recommended non-DG residential rate design at Ms. Crane's recommended Step 1 revenue requirement level.

[7] See Westar's response to CURB DR 45.

Q. How did you determine the Step 1 Residential revenue requirement target decrease of 3.98% used in Schedule BK-2?

A. For illustrative purposes only, I first scaled that the class revenue adjustments shown in Company's proposed Step 1 revenue allocation, which allocates a total revenue decrease of $1.6 million, to implement Ms. Crane's recommended Step 1 decrease of $138.4 million. The scaled revenue allocation is shown in Table 1 below. Second, I followed the Company's methodology to roll-in the Property Tax Surcharge of $15.7 million to base rates. The net result was a hypothetical base rate decrease of 3.98% for non-DG residential customers.

TABLE 1

Westar's Proposed Step 1 Class Revenue Adjustments
Scaled to Reflect CURB's Recommended Step 1 Decrease

Rate Class	*Westar Step 1 Revenue Allocation*	*Westar Proposal Scaled to -$138.4 m.*
	(1)	(2)
Residential	$(325,757)	$(28,912,147)
Residential-DG	42,155	42,155
Small General Serv.	(453,936)	(38,925,329)
Medium General Serv.	(270,472)	(23,193,153)
Large General Serv.	(345,077)	(29,590,667)
Industrial & Lrg. Power	(87,833)	(7,531,725)
Interruptible Contract	(1,497)	(128,407)
Special Contracts	(63,336)	(5,431,131)
Lrg. Tire Manufacturer	(9,716)	(833,172)
Schools	(43,498)	(3,860,591)
Churches	(720)	(63,876)
Lighting	0	0
Total	$(1,559,687).	$(138,428,042)

Source: Mr. Wilkus' Direct Testimony, page 20, at Table 2.

Q. Please explain how you developed CURB's illustrative non-DG residential rates shown in Schedule BK-2.

A. I used the following six steps to illustrate CURB's recommended rate design:

1. Set the target decrease for each residential subclass at 3.98%;
2. Leave the residential customer charge unchanged at $14.50 per month;
3. Leave the existing Peak Management customer and demand charges unchanged;
4. Recover the balance of the Standard Service subclass's target revenue requirement via a uniform decrease to all energy charges;
5. Recover the balance of the Restricted Conservation Service subclass's target revenue requirement via a residual decrease to the energy charge; and

6. Recover the balance of the Peak Management Service subclass's target revenue requirement via a residual decrease to the energy charge.

Q. How should the Commission implement its final Step 1 non-DG residential revenue adjustment in this proceeding?

A. Once the KCC determines its final Step 1 non-DG residential revenue adjustment (in place of CURB's illustrative residential class decrease of 3.98%), CURB recommends that the Commission order Westar to develop final Step 1 non-DG residential rates using CURB's previously discussed guidelines.

Q. Are CURB's recommended non-DG residential rate design guidelines also applicable to Step 2 of this proceeding?

A. Yes. However, in the event that the KCC approves a final Step 2 residential *increase*, 1) the residential customer charge should be increased to no more than $15.30 per month, and 2) the Peak Management Service subclass's demand charges should be increased (rather than left unchanged) by the same percentage as its Step 2 energy charge, in order the recover the balance of the subclass's revenue requirement.

Q. Mr. Kalcic, returning to the topic of Westar's proposed RS-DG rate design, does CURB oppose the implementation of a three-part rate design for RS-DG customers in this proceeding?

A. Subject to the conditions discuss in Ms. Harden's direct testimony, CURB does not oppose a three-part RS-DG rate. However, CURB does oppose the Company's proposal to assign the RS-DG class a 30.0% Step 1 base rate increase.

Q. Why would it be inappropriate to assign RS-DG customers a 30.0% base rate increase?

A. First, it is CURB's position that no rate class should receive a base rate increase, let alone a base rate increase of 30%, in the event the KCC were to order Westar to implement an overall Step 1 base rate decrease in this proceeding. Second, CURB recognizes that RS-DG customers have no prior experience with demand charges and may be expected to require a period of time to adjust to the new rate design. CURB believes the adjustment will be easier if RS-DG customers are *not* subjected to an increase at the same time that three-part rates go into effect.

Q. Is CURB recommending that RS-DG customers receive no overall total revenue increase in this case?

A. Yes. In other words, the applicable RS-DG base rate increase in this case should be limited to the Step 1 PTS roll-in.

Q. Has CURB prepared an alternative RS-DG rate design for the KCC's consideration in this proceeding?

A. Yes. CURB recommended Step 1 RS-DG rate design is shown in Schedule BK-3.

Q. Please explain how you determined the RS-DG rates shown in Schedule BK-3.

A. I used the following four steps to implement CURB's recommended RS-DG rate design:

1. Set the target increase for the RS-DG class at zero;

2. Set the RS-DG customer charge at $14.50 per month, i.e., the same as CURB's non-DG residential customer charge;
3. Proportionally reduce the Company's proposed RS-DG demand charges so as to recover 24% of the total RS-DG revenue requirement (the same as Westar); and
4. Recover the balance of the RS-DG revenue requirement via a flat rate energy charge.

Q. Does CURB propose to adjust its RS-DG rate design in Step 2 of this proceeding?

A. No. As previously discussed, CURB believes that RS-DG customers should be given time to adjust to the new three-part rate before they are subject to a rate increase. As such, CURB's Step 1 RS-DG rates should remain unchanged until the Company's next base rate proceeding.

Q. How would CURB propose to recover any revenue requirement increase otherwise applicable to the RS-DG class?

A. CURB recommends that any foregone RS-DG revenue increase be recovered in the Residential class. For example, CURB's recommended Step 1 RS-DG rates recover approximately $171,000, while Westar's proposed Step 1 rates recover approximately $220,000. The difference of $49,000 should be recovered from non-DG Residential customers.

III. SGS Rate Design

Q. Mr. Kalcic, please provide a brief description of the Company's current SGS rate schedule.

A. The Company's SGS rate schedule contains a customer charge, a seasonally-differentiated demand charge and a non-seasonally differentiated, declining-block energy charge (with a breakpoint at 1,200 kWh per month of usage).

Q. Does the Company propose to revise its SGS rate structure in this proceeding?

A. No, it does not.

Q. Have you provided a summary of the Company's proposed Step 1 SGS rate design?

A. Yes, I have. The Company's present and proposed SGS base rate tariff charges are summarized in Schedule BK-4. As shown in column 4 of Schedule BK-4, the Company is proposing to: 1) increase the SGC customer charge by 27.6%; 2) leave all existing demand charges unchanged; 3) assign a uniform residual decrease of 1.92% to SGS energy charges, except for the Recreational Lighting subclass.

Q. How did Westar determine its proposed increases to individual SGS tariff charges in Step 1?

A. The cost-based SGS customer charge benchmark is $32.37 per month in Westar's AED/4CP COSS. Westar proposes to move toward that cost benchmark by increasing the SGS customer charge from $22.73 to $29.00 per month. Since the Company's proposed customer charge increase exceeds Westar's overall proposed base rate increase for the SGS class, the Company is proposing to decrease existing SGS energy charges in order to recover the balance of the class's total Step 1 revenue requirement.

Q. Why did Westar choose not to adjust (i.e., decrease) SGS demand charges in its proposed Step 1 rate design?

A. Westar limited the required decrease to SGS energy charges in order to avoid a decrease to current fixed charges to help achieve its goal of recovering more fixed costs through fixed charge recovery.[8]

Q. Does CURB accept the Company's general Step 1 SGS rate design approach in this proceeding?

A. Not entirely. CURB opposes the Company's proposed increase to the SGS customer charge.

Q. Why?

A. The Company's SGS customer cost benchmark includes costs deemed to be customer related by Westar's minimum system analysis. As shown in Schedule RJA-7, page 1 of 4, the Company's total customer cost benchmark of $32.27 per month includes Transformer ($3.39), Primary ($9.45) and Secondary ($2.50) plant investment components that total $15.34 per month. All of the Company's claimed customer-related Transformer and Primary plant cost components are minimum system costs. In addition, an unquantified portion of the Company's claimed $2.50 per month of customer-related Secondary plant

[8] See Westar's response to CURB DR 43.

investment is also minimum system related. Subtracting only the quantified minimum system costs associated with Transformers and Primary Investment of ($3.39 plus $9.45 or) $12.84 from $32.27 results in a (conservatively adjusted) customer cost benchmark of $19.43 per month.

Q. What is CURB's recommended SGS customer charge in this proceeding?

A. Since the existing SGS customer charge of $20.00 per month exceeds CURB's adjusted cost benchmark, CURB recommends that the SGS customer charge remain unchanged at the conclusion of this case.

Q. Have you prepared an alternative SGS rate design and proof of revenue to illustrate CURB's rate design proposals in this proceeding?

A. Yes, I have. Schedule BK-5 illustrates CURB's recommended SGS rate design at Ms. Crane's recommended Step 1 revenue requirement level.

Q. How did you determine the Step 1 SGS revenue requirement target decrease of 12.66% used in Schedule BK-5?

A. I used the same two-step process discussed in connection with CURB's illustrative non-DG residential rate design. In particular, the SGS total revenue decrease shown in Table 1 above is $38.9 million. After the PTS roll-in, the target base rate decrease is approximately $35.1 million or 12.66%.

Q. How did you determine the level of the SGS base rate energy charges shown in column 4 of Schedule BK-5?

A. Except in the case of the Recreational Lighting subclass, I applied a uniform decrease to SGS energy charges of 18.21% in order to recover the balance of the SGS class revenue requirement. Since the Recreational Lighting subclass pays a flat rate energy charge, I assigned a 14.69% decrease to the flat rate energy charge is order to assigned the subclass a base rate decrease approximately equal to the overall SGS class target decrease of 12.66%.

Q. Mr. Kalcic, how should the Commission implement its final Step 1 SGS revenue adjustment in this proceeding?

A. The Commission should direct Westar to: 1) leave all current SGS fixed charges unchanged; 2) adjust the SGS flat rate energy charge to assign the Recreational Lighting subclass the overall SGS class decrease; and 3) adjust the Company's current SGS declining-block energy charges proportionally, so as to attain the KCC's final SGS Step 1 class revenue requirement.

Q. Are CURB's recommended SGS rate design guidelines also applicable to Step 2 of this proceeding?

A. Yes. However, in the event that the KCC approves a final Step 2 SGS *increase*, the Commission should direct Westar to: 1) leave the current SGS customer charge of $20.00 per month unchanged; 2) adjust the SGS Step 1 flat rate energy charge to assign the Recreational Lighting subclass the overall Step 2 SGS class increase; and 3) adjust the

Company's Step 1 SGS demand and declining-block energy charges proportionally, so as to attain the KCC's final Step 2 SGS class revenue requirement.

Q. Does this conclude your direct testimony?

A. Yes.

VERIFICATION

STATE OF MISSOURI)
) ss:
COUNTY OF ST. LOUIS)

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

Brian Kalcic

Brian Kalcic

SUBSCRIBED AND SWORN to before me this 8th day of June, 2018.

Kirsty J Murrell

Notary Public

My Commission expires: 7/12/2020

KIRSTY J. MURRELL
Notary Public - Notary Seal
State of Missouri
St. Louis City County
My Commission Expires 07-12-2020
Commission # 16347784

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December 1974. In May 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic was employed by the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Indiana, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.

SCHEDULES BK-1 THROUGH BK-5

WESTAR ENERGY, INC.

Comparison of Present and Proposed Step 1 Residential Tariff Charges

Line	Description	Present Rates* (1)	Step 1 Rates* (2)	Proposed Increase Amount (3)	Proposed Increase Percent (4)
1	Customer Charge	$14.50	$18.50	$4.00	27.59%
	Standard Service				
	Usage Charge				
	Winter				
2	First 500 kWh	$0.076833	$0.072982	($0.003851)	-5.01%
3	Next 400 kWh	$0.076833	$0.072982	($0.003851)	-5.01%
4	All add'l kWh	$0.062804	$0.062804	$0.000000	0.00%
	Summer				
5	First 500 kWh	$0.076833	$0.072982	($0.003851)	-5.01%
6	Next 400 kWh	$0.076833	$0.072982	($0.003851)	-5.01%
7	All add'l kWh	$0.084752	$0.078396	($0.006356)	-7.50%
	Restricted Cons. Service				
	Usage Charge				
8	All kWhs	$0.051915	$0.037379	($0.014536)	-28.00%
	Peak Management				
9	Customer Charge	$16.50	$18.50	$2.00	12.12%
	Usage Charge				
10	Winter	$0.046644	$0.045739	($0.000905)	-1.94%
11	Summer	$0.046644	$0.045739	($0.000905)	-1.94%
	Demand Charge				
12	Winter	$2.13	$2.13	$0.00	0.00%
13	Summer	$6.91	$6.91	$0.00	0.00%
	Distributed Generation				
	Usage Charge				
	Winter				
14	First 500 kWh	$0.076833	$0.069173	($0.007660)	-9.97%
15	Next 400 kWh	$0.076833	$0.069173	($0.007660)	-9.97%
16	All add'l kWh	$0.062804	$0.069173	$0.006369	10.14%
	Summer				
17	First 500 kWh	$0.076833	$0.069173	($0.007660)	-9.97%
18	Next 400 kWh	$0.076833	$0.069173	($0.007660)	-9.97%
19	All add'l kWh	$0.084752	$0.069173	($0.015579)	-18.38%
	Demand Charge				
20	Winter	n/a	$3.15	-	-
21	Summer	n/a	$9.45	-	-

* Excludes RECA, TDC and EER.

Schedule BK-2

WESTAR ENERGY, INC.

CURB Illustrative Step 1 Residential Rate Design and Proof of Revenue
Standard / Conservation / Peak Management Service
Basis: Assumed Base Rate Decrease of 3.98%

Line	Description	Billing Determinants	Present Rates 1/	Present Revenue	CURB Illustrative Rates 1/	Revised Revenue	Percentage Change in Rates
		(1)	(2)	(3) = (1)*(2)	(4)	(5) = (1)*(4)	(6) = (4)/(2)
	Non-Usage Charges						
1	Customer	7,291,463	$14.50	$105,726,214	$14.50	$105,726,214	0.00%
2	Customer - PM	79,036	$16.50	$1,304,094	$16.50	$1,304,094	0.00%
3	PM Demand - W	567,637	$2.13	$1,209,067	$2.13	$1,209,067	0.00%
4	PM Demand - S	250,386	$6.91	$1,730,167	$6.91	$1,730,167	0.00%
5	Subtotal			$109,969,542		$109,969,542	
	Usage Charges						
	Standard Service						
	Winter						
6	1st 500 kWh	1,946,056,176	$0.076833	$149,521,334	$0.073090	$142,237,246	-4.87%
7	Next 400 kWh	777,599,509	$0.076833	$59,745,303	$0.073090	$56,834,748	-4.87%
8	All add'l kWh	673,277,440	$0.062804	$42,284,516	$0.059744	$40,224,287	-4.87%
	Summer						
9	1st 500 kWh	1,062,294,240	$0.076833	$81,619,253	$0.073090	$77,643,086	-4.87%
10	Next 400 kWh	666,383,043	$0.076833	$51,200,208	$0.073090	$48,705,937	-4.87%
11	All add'l kWh	1,012,721,791	$0.084752	$85,830,197	$0.080623	$81,648,669	-4.87%
12	Subtotal Standard	6,138,332,199		$470,200,811		$447,293,973	
	Restricted Cons. Service						
13	All Applicable kWh	6,927,421	$0.051915	$359,637	$0.047551	$329,406	-8.41%
14	Subtotal Conserv.	6,927,421		$359,637		$329,406	
	Peak Management						
15	All kWh	130,098,110	$0.046644	$6,068,296	$0.043489	$5,657,837	-6.76%
16	Subtotal Peak Man.			$6,068,296		$5,657,837	
17	Total Residential	6,275,357,730		$586,598,286		$563,250,758	-3.98%
	Source:	KCC DR 123			Target	$563,250,804	
					Rounding	($46)	

Note:

1/ Excludes RECA, TDC and EER.

WESTAR ENERGY, INC.

CURB Recommended Step 1 Rate Design and Proof of Revenue
Residential Service - Distributed Generation
Basis: No Base Rate Increase except for PTS Roll-in

Line	Description	Billing Determinants	Present Rates 1/	Present Revenue	CURB Recomm. Rates 1/	Recomm. Revenue	Percentage Change in Rates
		(1)	(2)	(3) = (1)*(2)	(4)	(5) = (1)*(4)	(6) = (4)/(2)
	Non-Usage Charges						
1	Customer	1,877	$14.50	$27,217	$14.50	$27,217	0.00%
2	Demand - W	7,996	$0.00	$0	$2.46	$19,670	-
3	Demand - S	2,881	$0.00	$0	$7.39	$21,291	-
4	Subtotal			$27,217		$68,178	150.50%
	Usage Charges						
	Winter						
5	1st 500 kWh	654,743	$0.076833	$50,306	$0.053452	$34,997	-30.43%
6	Next 400 kWh	266,144	$0.076833	$20,449	$0.053452	$14,226	-30.43%
7	All add'l kWh	488,543	$0.062804	$30,682	$0.053452	$26,114	-14.89%
	Summer						
8	1st 500 kWh	223,974	$0.076833	$17,209	$0.053452	$11,972	-30.43%
9	Next 400 kWh	105,706	$0.076833	$8,122	$0.053452	$5,650	-30.43%
10	All add'l kWh	179,191	$0.084752	$15,187	$0.053452	$9,578	-36.93%
11	Subtotal	1,918,301		$141,955		$102,537	-27.77%
12	Total RS-DG			$169,172		$170,715	0.91%

Source: KCC DR 123

Target	$170,728
Rounding	($13)

Note:
1/ Excludes RECA, TDC and EER.

WESTAR ENERGY, INC.

Comparison of Present and Proposed Step 1 SGS Tariff Charges

		Present Rates *	Step 1 Rates *	Proposed Increase	
				Amount	Percent
Line	Description	(1)	(2)	(3)	(4)
	Non-Usage Charges				
1	Customer Charge	$22.73	$29.00	$6.27	27.58%
2	Std. Demand - W	$4.43	$4.43	$0.00	0.00%
3	Std. Demand - S	$8.56	$8.56	$0.00	0.00%
4	C.O. Demand - W	$1.37	$1.37	$0.00	0.00%
5	C.O. Demand - S	$2.50	$2.50	$0.00	0.00%
	Usage Charges				
	Standard Service				
6	1st 1,200 kWh	$0.070417	$0.069063	($0.001354)	-1.92%
7	All add'l kWh	$0.051246	$0.050261	($0.000985)	-1.92%
	Recreational Lighting				
8	All kWh	$0.089160	$0.085468	($0.003692)	-4.14%
	Unmetered Service				
9	1st 1,200 kWh	$0.070417	$0.069063	($0.001354)	-1.92%
10	All add'l kWh	$0.051246	$0.050261	($0.000985)	-1.92%
	Church Option				
11	1st 1,200 kWh	$0.070417	$0.069063	($0.001354)	-1.92%
12	All add'l kWh	$0.051246	$0.050261	($0.000985)	-1.92%

* Excludes RECA, TSC and EER.

WESTAR ENERGY, INC.

CURB Illustrative Step 1 SGS Rate Design and Proof of Revenue
Standard / Lighting / Unmetered / Church Option
Basis: Assumed Base Rate Decrease of 12.66%

Line	Description	Billing Determinants	Present Rates 1/	Present Revenue	CURB Illustrative Rates 1/	Revised Revenue	Percentage Change in Rates
		(1)	(2)	(3) = (1)*(2)	(4)	(5) = (1)*(4)	(6) = (4)/(2)
	Non-Usage Charges						
1	Customer	1,039,841	$22.73	$23,635,586	$22.73	$23,635,586	0.00%
2	Std. Demand - W	6,200,151	$4.43	$27,466,669	$4.43	$27,466,669	0.00%
3	Std. Demand - S	3,854,929	$8.56	$32,998,192	$8.56	$32,998,192	0.00%
4	C.O. Demand - W	1,465	$1.37	$2,007	$1.37	$2,007	0.00%
5	C.O. Demand - S	311	$2.50	$778	$2.50	$778	0.00%
6	Subtotal			$84,103,232		$84,103,232	
	Usage Charges						
	Standard Service						
7	1st 1,200 kWh	692,984,845	$0.070417	$48,797,914	$0.057595	$39,912,462	-18.21%
8	All add'l kWh	2,790,207,422	$0.051246	$142,986,970	$0.041915	$116,951,544	-18.21%
9	Subtotal Standard	3,483,192,267		$191,784,884		$156,864,006	
	Recreational Lighting						
10	All kWh	8,706,326	$0.089160	$776,256	$0.076062	$662,221	-14.69%
11	Subtotal Lighting	8,706,326		$776,256		$662,221	
	Unmetered Service						
12	1st 1,200 kWh	119,932	$0.070417	$8,445	$0.057595	$6,907	-18.21%
13	All add'l kWh	113,699	$0.051246	$5,827	$0.041915	$4,766	-18.21%
14	Subtotal Unmetered	233,631		$14,272		$11,673	
	Church Option						
15	1st 1,200 kWh	60,340	$0.070417	$4,249	$0.057595	$3,475	-18.21%
16	All add'l kWh	63,368	$0.051246	$3,247	$0.041915	$2,656	-18.21%
17	Subtotal Church Op.	123,708		$7,496		$6,131	
18	Total SGS	3,492,255,932		$276,686,140		$241,647,263	-12.66%
	Source:	KCC DR 123			Target	$241,647,644	
					Rounding	($381)	

Note:
1/ Excludes RECA, TSC and EER.

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:

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