

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Complaint of Kansas)
Industrial Consumers' Group, Inc., against)
Kansas Electric and Natural Gas Public) Docket No. 18-GIMX-252-COM
Utilities regarding Federal Income Tax)
Reform of 2018 and Its Effect on)
Jurisdictional Utility Rates)

ANSWER OF WESTAR ENERGY, INC. AND
KANSAS GAS AND ELECTRIC COMPANY

Westar Energy, Inc. and Kansas Gas and Electric Company (together as "Westar") submit the following Answer to the Complaint filed by Kansas Industrial Consumers' Group, Inc. (KIC):

1. On or about December 14, 2017, KIC filed its Complaint in this matter. The Commission issued its Order Adopting Legal Memorandum on March 6, 2018, indicating that the Complaint should be served on all investor-owned electric and natural gas public utilities. Westar has not yet been served with the Complaint but is filing this Answer to address the issues raised in the Complaint.

2. KIC filed its Complaint to request that the Commission conduct an investigation of the impact of federal income tax reform on all retail utility rates subject to the Commission's jurisdiction. However, the Commission has already opened a generic docket to investigate these same issues. All of the issues raised by KIC fall within the scope of that generic docket and, as a result, are best resolved in the generic docket created by Staff in Docket No. 18-GIMX-248-GIV.

3. Additionally, Westar has already made a specific proposal to address the effect of the federal income tax reform on its rates in the general rate case filed on February 1, 2018, in Docket No. 18-WSEE-328-RTS. KIC has been granted intervention in that case and can raise any issues related to tax reform in the rate case docket. As a result, it is not necessary for the

Commission to take any action in this complaint docket with respect to Westar and the impact of the tax law changes on Westar's rates.

4. Finally, it is important for the Commission to understand that a portion of what KIC requests in its Complaint is in violation of IRS normalization rules. Specifically, KIC requests;

(b) an Order from the Commission that public utilities are not entitled to retain excess levels of ADIT resulting from a reduced corporate tax rate and, as of the effective date of any reduction in the federal income tax rate, every investor owned utility in the state of Kansas is required to account for excess amounts of ADIT resulting from the reduced corporate tax rate. In addition, KIC requests the Commission order immediate refunds of excess ADIT or adopt other appropriate mechanisms to return excess amounts to retail ratepayers within a reasonable timeframe;¹

5. This request would violate the IRS normalization rules for plant related excess deferreds. Under the current normalization rules and the new rules as specified in the new tax legislation, the excess deferreds on plant are amortized over the remaining book life of our plant assets. This time period contradicts the short timeframe requested by KIC. Other non-plant related deferreds could be given back over a shorter timeframe, as proposed in Westar's general rate case Application in Docket No. 18-WSEE-328-RTS, discussed above.

6. Westar understands that the penalty for not normalizing plant-related excess deferreds would mean that the Company would lose the ability to use accelerated depreciation for tax purposes. This would increase rate base dramatically over time. In addition, a new penalty was also included in the new tax legislation. The new law requires a company to increase its tax

¹ KIC recognizes ADIT is currently a source of cost-free capital to the utilities. Therefore, it may be that the refund to retail ratepayers must be phased in over a (reasonably short) period of time. However, KIC is also concerned with intergenerational inequities that may occur if refunds are provided over an extended timeline. Past ratepayers contributed the excess amounts, and future ratepayers will receive the refunds. To minimize intergenerational inequities, the refunds should be provided as quickly as practicable.

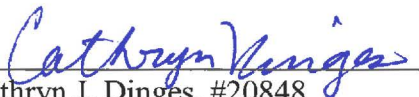
liability by the amount it included in rates that exceed the benefit allowed for computing rates under the IRS normalization rules.

7. Westar requests that this issue, and all other issues raised in KIC's complaint, be handled in its general rate case and/or the generic docket and that the Commission dismiss the KIC complaint.

WHEREFORE, having fully answered, Westar respectfully requests that the Commission deny the Complaint and for such other and further relief as may be appropriate.

Respectfully submitted,

WESTAR ENERGY, INC.


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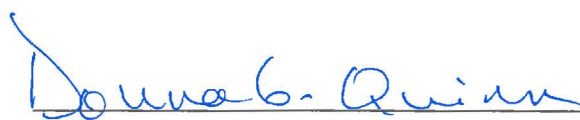
VERIFICATION

STATE OF KANSAS)
)
COUNTY OF SHAWNEE) ss:

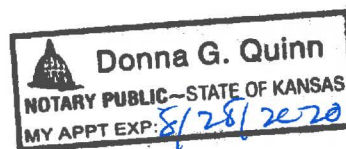
Cathryn J. Dinges, being duly sworn upon her oath deposes and says that she is one of the attorneys for Westar Energy, Inc.; that she is familiar with the foregoing **Answer**; and that the statements therein are true and correct to the best of her knowledge and belief.


Cathryn J. Dinges

SUBSCRIBED AND SWORN to before me this 22nd day of March, 2018.


Notary Public

My Appointment Expires: 8/28/2020



CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of March, 2018, the foregoing **Answer** was electronically served on all parties of record.


Cathryn J. Dinges