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

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

`

TESTIMONY IN SUPPORT OF

NON-UNANIMOUS STIPULATION AND AGREEMENT

PREPARED BY

JUSTIN T. GRADY

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

July 18, 2018

Q. Please state your name, business address, place of employment and current title.

A. My name is Justin T. Grady. My business address is 1500 Southwest Arrowhead Road, Topeka, Kansas, 66604. I am employed by the Kansas Corporation Commission as the Chief of Accounting and Financial Analysis

Q. Are you the same Justin T. Grady that filed Direct Testimony in this docket on June 11, 2018?

A. Yes.

Q. Please identify the purpose of your testimony?

A. I am testifying on behalf of the Commission Staff (Staff) in support of the settlement of the issues outlined in the Non-Unanimous Stipulation and Agreement (Settlement or Agreement) between Staff, Westar Energy, Inc. and Kansas Gas and Electric Company (referred to herein as "Westar" collectively), Citizens' Utility Ratepayer Board (CURB), Kansas Industrial Consumers Group, Inc., on its own behalf and on behalf of its members (KIC)[1], Unified School District No. 259 (USD 259)[2], The Kroger Co. (Kroger), U.S. Department of Defense and all other Federal Executive Agencies (U.S. DOD), HollyFrontier El Dorado Refining LLC (Frontier), Wal-Mart Stores, Inc. (Wal-Mart), Tyson Foods, Inc., the Topeka

[1] KIC members that have been admitted as parties to this Docket are Cargill, Incorporated; Coffeyville Resources Refining & Marketing, LLC; Occidental Chemical Corporation; Spirit AeroSystems, Inc.; CCPS Transportation, LLC; Goodyear Tire & Rubber Company; and Learjet Inc.

[2] USD 259 signs subject to approval by its Board of Education. KASB signs subject to approval by its Board of Directors. Counsel for USD 259 and KASB will file a letter with the Commission confirming approval by the Board of Education and KASB Board of Directors.

Metropolitan Transit Authority,[3] and The Kansas State Board of Regents[4] (collectively, the "Parties").[5]

My testimony will explain that the Commission should approve the Settlement as a reasonable resolution of the issues in this Docket because it is in the public interest and will result in just and reasonable rates. Specifically, I will:

- provide the background information about this Docket;
- provide an overview and discussion of the Settlement;
- discuss the five-element test typically used by the Commission in its consideration of whether to accept a Settlement[6]; and
- discuss the evidence in the record that supports the Settlement.

Q. Please provide a brief background of this case.

A. On February 1, 2018, Westar filed an Application with the Commission to make certain changes in its rates and charges for electric service, which was docketed as the above-captioned proceeding. Pursuant to a Commission Order, the effective date of this Application was suspended until September 27, 2018. First, Westar proposed to implement the rate change in two steps. The first step would be a rate decrease of $1.56 million to be effective in September 2018, at the time of the

[3] Counsel for the Topeka Metropolitan Transit Authority has indicated it does not oppose the Stipulation and Agreement.
[4] The Kansas State Board of Regents was unable to meet to review and approve support for the Stipulation and Agreement; however, counsel for the Board of Regents has indicated that it does not oppose the Agreement.
[5] *See* Joint Motion to Approve Unanimous Stipulation and Agreement, Docket No. 18-WSEE-328-RTS, filed July 17, 2018; http://estar.kcc.ks.gov/estar/portal/kscc/page/docket-docs/PSC/DocketDetails.aspx?DocketId=f448f637-8f92-4aab-b5a9-253b33a6096d.
[6] *See* Order Approving Contested Settlement Agreement; Docket No. 08-ATMG-280-RTS at pp. 4-6.

Commission's Order in this Docket (the "Step 1 rate adjustment").[7] This amount includes the reduced revenue requirement that occurs as a result of the reduction in the federal corporate tax rate as a result of the Tax Cuts and Jobs Act of 2017, impact of the revenue requirement associated with Westar's investment in the Western Plains Wind Farm, and the impact of the change in depreciation rates proposed by Westar in this case. Second, Westar proposed a rate increase of $54.2 million to be effective on February 1, 2019 (the "Step 2 rate adjustment").[8] This amount includes the impact of the expiration of the production tax credits (PTCs) associated with Westar's initial investment in wind generation ten years ago which expire in February 2019 and the impact of the expiration of a wholesale agreement with Mid-Kansas Electric Company (MKEC) that will occur in January of 2019.

On June 11, 2018, Staff, CURB, and several other interveners filed Direct Testimony in this case. Staff recommended a revenue requirement reduction of $73.9 million in the Step 1 rate adjustment and a $4,992,612 increase for the Step 2 rate adjustment, for a net overall reduction in rates of $68,974,615.[9] Staff's recommended rate reduction included the impacts of recovering the Western Plains Wind Farm on a levelized basis over the life of the farm. Additionally, Staff

[7] The $1.56 million decrease is reflective of a $14,128,420 increase in base rates, offset by the roll-in of the Property Tax Surcharge (PTS) in the amount of $15,688,107, which will reduce the PTS going forward by the same amount. Thus, the net of the two amounts is a $1.56 million decrease in overall rates.
[8] The $54.2 million increase is reflective of a $68,200,651 increase in base rates, offset by the roll-in of the PTS in the amount of $15,688,107, which will reduce the PTS going forward by the same amount. Thus, the net of the two amounts is a $54.2 million increase in overall rates.
[9] Both of these rate reductions include the same PTS rebasing as Westar's requested revenue requirement changes discussed above. Therefore, Staff's recommendation was for an actual reduction in base rates of $53,286,508, offset by a reduction of the PTS going forward of $15,688,107, for a net overall reduction in rates of $68,974,615.

recommended a compliance docket be opened for Westar to file information annually regarding the benefit of the Western Plains Wind Farm for customers. Staff's plan was to use this information in future rate cases to limit any future levelized revenue requirement determinations associated with the Western Plains Wind Farm.

CURB's requested revenue requirement reduction was $138.4 million (including the PTS rebasing effects). It is notable that this recommendation did not include any increase in depreciation expense as supported by Westar and Staff's depreciation experts. Also, CURB completely removed the revenue requirement impact of Western Plains Wind Farm from its revenue requirement calculation, which is approximately $24.7 million, based on a 9.3% ROE.

If CURB's recommendation was adjusted to include Staff's recommended increase in depreciation expense and the levilized revenue requirement associated with Western Plains, the recommendation would amount to a net reduction in rates of $67 million.[10] As noted above, CURB recommended that the Western Plains Wind Farm be recovered outside of the base revenue requirement, through a Purchased Power Agreement (PPA)-type approach in which ratepayers would pay a fixed price per MWh for the production out of the wind farm over the 20-year projected life of the asset. This charge would be recovered through the Retail Energy Cost Adjustment (RECA).

[10] This example is not meant to represent CURB's position on any of these issues. It's simply an accounting reconciliation between Staff's and CURB's revenue requirement recommendations: $138 million, less $46 million (Staff's Depreciation Expense Increase), less $25 million (Staff's levelized Western Plains revenue requirement) equals $67 million.

KIC's testimony recommended a rate reduction of $54 million, and an incentive mechanism which called for the recovery of the Western Plains Wind Farm through the RECA, as opposed to in base rates. Kroger's testimony objected to the Step 2 rate adjustment related to the expiration of the MKEC wholesale contract in February 2019.

USD 259, KeyCorp and Midwest Power Company, Walmart, U.S. Department of Defense, Vote Solar and Sierra Club all filed testimony addressing certain cost of service, rate design, and tariff issues.

On June 22, 2018, CURB, KIC, Kroger, Walmart, U.S. Department of Defense and Vote Solar and Sierra Club filed Cross-Answering Testimony on various rate design and policy matters.

Westar filed rebuttal testimony on July 3, 2018. In its rebuttal testimony, Westar agreed with certain recommendations made by Staff and also made adjustments to reflect the commitments made in the Settlement Agreement approved by the Commission in Docket No. 18-KCPE-095-MER (the Merger Docket), resulting in an adjusted position of a Step 1 rate decrease of $37,800,506 and a Step 2 rate increase of $4,327,758, for a net overall rate reduction of $33,472,748.[11]

[11] These numbers are inclusive of the effects of rebasing the PTS and, thus, are comparable to the eventual settled rate reduction of $66 million.

<u>Terms of the Stipulation and Agreement</u>

Q. Please discuss in detail the provisions of the Settlement.

A. The terms of the Settlement are as follows:

- A total rate reduction of $66 million, effective September 27, 2016. There will be no Step 2 rate adjustment as a result of the Settlement. This rate reduction includes the impact of rebasing the PTS, which means that base rates will actually decline by $50,311,893, and the PTS will be lower by $15.7 million as a result;[12]
- The agreed upon revenue requirement reduction includes a provision for up to $2 million increase in Westar's Nuclear Decommissioning Trust Fund Accrual;
- Westar will provide a one-time bill credit of $50,027,522 to refund customers the benefits of the Tax Cuts and Jobs Act of 2017 (TCJA) from January 1, 2018, through September 27, 2018, with interest, as proposed in my Direct Testimony;
- The TCJA bill credits will be dispersed within 60 days of a Commission Order in this proceeding and will be on the same bill as the upfront bill credits that will be provided to customers as a result of the Commission's

[12] The PTS does not actually go away in total, but it will be lower by the amount of the rebasing by virtue of the mechanics of the calculation. This is because the PTS (filed in December of each year) compares the actual property taxes incurred by Westar over the calendar year with the amount of property taxes being collected by Westar in base rates. Since the amount of property taxes being collected by Westar in base rates is increasing, all other things being equal, the PTS will decline by an equal amount.

recent Order approving the merger between Westar and Kansas City Power and Light Company in Docket No. 18-KCPE-095-MER (Merger Credits). Credits will be distributed across the customer classes as the same manner as recommended by Staff witness Dr. Robert Glass in his Testimony in Support of the Non-Unanimous Settlement Agreement in the Merger Docket;

- As recommended in my Direct Testimony, Westar will create a regulatory liability to capture the amount of depreciation expense included in Westar's revenue requirement beginning when each of the following units is retired and depreciation expense is no longer recorded on Westar's books: Tecumseh Unit 7, Gordon Evans Units 1 and 2 and Murray Gill Units 3 and 4. The depreciation amounts will accumulate in the regulatory liability account until new customer rates are established in a subsequent rate case. At that time, the regulatory liability account will be closed into accumulated depreciation. Additionally, the closing of this regulatory liability into accumulated depreciation will be reflected in rates that are established in that rate case;
- Depreciation rates set in this proceeding shall be the depreciation rates recommended by Staff and reflected in Appendix A attached to the Settlement. Westar's acceptance of these depreciation rates does not indicate acceptance with all of the policy issues that were used to derive the rates. Agreement to these rates does not indicate acceptance of any depreciation study put forth by any party in the Docket;

- The Western Plains Wind Farm will be recovered by Westar through a fixed price PPA approach. The revenue requirement decrease agreed to by the Parties and stated above includes a levelized revenue requirement for Western Plains of $23,697,593, which assumes a 46.57% capacity factor, and 1,144,717 MWhs, which equates to $20.70/MWh[13];
- In the event that the Western Plains Wind Farm has a capacity factor of greater than 48.57%, producing more than 1,193,878 MWhs in any calendar year based on a rolling three-year average, beginning with the three-year average period ending December 2020, the Parties agree that Westar will be allowed to include a charge in the ACA filing to the benefit of Westar that equates to the difference between the actual production and the 1,193,878 MWhs, multiplied by $20. 70/MWh;
- In the event that the Western Plains Wind Farm has a capacity factor of less than 44.57%, producing less than 1,095,556 MWhs in any calendar year based on a rolling three-year average beginning in 2020 and using the three-year average for 2018-2020, the Parties agree that there will be a credit in the ACA filing to return to ratepayers any shortfall in MWhs from 1,095,556 MWhs, multiplied by $20.70/MWh;
- In the event of changes in law or regulations, or the occurrence of events outside the control of Westar that result in a material adverse impact to Westar with respect to recovery of the Western Plains revenue requirement,

[13] See Staff Exhibit JTG-9 attached to this testimony for a breakdown of the calculation of the levelized cost of the Western Plains Wind Farm.

Westar, as applicable, may file an Application with the Commission proposing methods to address the impact of the events, including adjusting the credit due to customers through the ACA described above. The other Parties to this Settlement shall have the right to contest any such Application, including whether the impact of the change or event is material to Westar, and whether the proposed remedy in the Application is reasonable;

- Westar is free to realize any residual value of the wind farm at the end of 20-years, which is February 23, 2037. This includes any wholesale margins the wind farm may produce and any asset or land sales related to the acquisition;
- The revenue credit associated with the Mid-Kansas Electric Company (MKEC) wholesale agreement will remain in base rates. The Parties also agree that Westar's RECA will be amended consistent with the language proposed in my Direct Testimony on pages 36-37 to allow the lost revenue from the expiration of the MKEC contract to flow through the RECA. Westar agrees to withdraw its request to amend the RECA to allow changes in revenue from additional wholesale contracts to flow through the RECA. The Parties agree that the lost revenue from the expiration of the MKEC contract will be reflected in the Annual Cost Adjustment (ACA) true-up process following the January 3, 2019, expiration. At the time of Westar's next rate case, Westar will remove the collection of MKEC lost revenue

credits from the RECA and adjust base rates accordingly. Any unrecovered revenue credit shortfall will be recovered through the ACA process;

- The $8.3 million of lease payment expense associated with Westar's lease of the 8% interest of Jeffrey Energy Center (JEC) that is currently owned by Midwest Power Company, will be removed from base rates and that such removal is reflected in the revenue requirement decrease agreed to by the Parties and stated above. In addition, the Parties agree that the 8% portion of the non-fuel operating and maintenance (NFOM) expense related to the portion of JEC currently owned by Midwest Power Company that is approximately $6.9 million, will be removed from base rates and that such removal is reflected in the revenue requirement decrease agreed to by the Parties and stated above;
- In the event that Westar enters into a new lease for this 8% share of JEC, or purchases the 8% portion of JEC outright, the Parties agree that Westar will be permitted to file a request to include these expenses (lease expenses and NFOM) through the RECA. Any additional wholesale sales that are directly attributable to this lease extension or purchase shall also be included in the RECA in the event that the Commission approves this request. Westar shall be allowed to utilize a regulatory asset to defer actual lease expense and/or NFOM associated with the 8% portion of JEC in the event that a new lease or purchase agreement is reached. In the filing before the Commission, Westar shall have the burden of showing that the new lease or purchase agreement is a prudent decision for its retail customers;

- In the event that the Commission approves Westar's filing, it may also include the amortization of the regulatory asset into the RECA. In the event that the Commission denies Westar's filing, Westar shall not be allowed to recover the regulatory asset containing deferred lease and NFOM expenses, and Westar shall be allowed to retain any wholesale sales that are directly attributable to the 8% portion of JEC for which the Commission denies Westar recovery of the incurred cost of owning or leasing and operating the 8% portion of JEC. In the event that Westar ends up negotiating a zero-cost transfer of ownership (defined as $0 or $1)[14], Westar is automatically entitled to begin recovering actual NFOM expenses and fuel expenses associated with the 8% ownership of JEC without prior Commission approval;
- Westar shall also be allowed to defer any of the 8% of NFOM or capital costs it is unable to recover from Midwest Power Company (or any other third-party owner) as a regulatory asset. Specifically, Westar shall be entitled to begin accruing unrecovered costs to the regulatory asset when Midwest Power Company (or any other third-party owner) is more than 60 days late in making a payment. If Midwest Power Company (or the other third-party owner) ultimately makes payment, the regulatory asset will be reduced for such payment. At the time of Westar's next general rate case,

[14] The parties agree that the zero-cost transfer of ownership is intended only as a mechanism to shift regulatory burden and is not intended to represent either the fair market value of the 8% portion of JEC or the value of the 8% portion of JEC that may ultimately be deemed to be reasonable by the Commission.

Westar may request recovery of the balance of unrecovered costs that have been deferred in the regulatory asset upon a showing that Westar made reasonable efforts to recover the costs from Midwest Power Company (or any other third-party owner);

- Nothing in the Settlement is intended to prejudge Westar's claim for recovery of the unrecovered NFOM and capital costs deferred in the regulatory asset; recoverability will be determined by the Commission at the time that Westar makes its request for recovery of the regulatory asset. Staff, CURB, and other intervenors specifically reserve their right to make any argument with regard to recovery of the regulatory asset, including the right to argue that none of the regulatory asset should be recovered from customers;
- Staff and CURB agree that in the event Westar is unable to recover any of the NFOM or capital costs for which Midwest Power Company (or any third-party owner) is responsible after the expiration of the lease for the 8% portion of JEC, Staff and CURB will consider taking steps to encourage the Commission to exercise its jurisdiction over Midwest Power Company (or any other third-party owner) and enforce the party's payment obligations;
- Westar should be permitted to recover non-Western Plains payments in lieu of taxes (PILOT) payments through its property tax surcharge (PTS), as recommended by Westar and Staff;

- Recovery of non-Western Plains royalty payments will remain in base rates as proposed by Staff and CURB and will not move to the RECA as was initially proposed by Westar and is reflected in the revenue requirement decrease agreed to by the Parties and stated above;
- The modifications to the General Terms and Conditions of Westar's Tariff, as recommended by Staff witness Haynos and proposed in the Errata Filing to John Wolfram's Direct Testimony on May 22, 2018, should be approved. The parties further agree that Westar will review its construction standards to determine if there are reasonable construction methods that can be used for reducing the overall cost of installing conduit for service lines or methods that can reduce the potential for disruption of the ground surface from excavation;
- Westar's transmission delivery charge (TDC) between this rate case and the next base rate case will be allocated by the 12 CP factors listed in the table in Appendix B. Parties recognize that the first TDC filing after the Order in this case will use these factors. In subsequent years, until a new 12 CP is set in the next base rate case, the amounts will be calculated by applying the adjustment factor to the TDC unit charges, pursuant to the requirements specified in Westar's TDC tariff;
- This Settlement includes a 9.3% stated return on equity and a weighted cost of capital of 7.0570%. This pre-tax rate of return is based on a capital

structure of 48.3349% Long Term Debt, 51.2370% Common Equity, and 0.4281 % Post 1970 ITC;

- The Kansas jurisdictional, non-transmission related, retail property tax expense in base rates after this agreed-upon rate increase in this case is $122,359,118 and that this amount shall be the basis for property tax balance used for purposes of future property tax surcharge filings for the time period when the new rates are applicable. In order to calculate future property tax surcharges, the property tax surcharge expense assumed to be collected in base rates will begin with the effective date of the rate increase resulting from this Docket, until the amount is reset in a Commission order;
- Westar's cost-of-service deferred income tax expense and amortization of investment tax credits complies with the tax normalization requirements of the Internal Revenue Code of 1986, as amended;
- Paragraph 40 of the Agreement lists various amortization periods that have been agreed to by the Parties. While these amortization periods do not all have a direct impact on the rates set in this case, it is important for these periods to be identified because these amortizations will be accounted for in Westar’s annual ERSP filings;
- Paragraph 40 of the Agreement also identifies the amortization periods for excess deferred income taxes created with the implementation of the TCJA. These amortization periods are consistent the recommendations contained in my Direct Testimony;

- Paragraph 41 of the Agreement identifies the amount of Pension and Post-Retirement Benefits Expenses included in Westar's revenue requirement, which was uncontested in this case, but necessary to identify for purposes of administering Westar's Pension and Post-Retirement Benefit Trackers; and
- Paragraphs 42 through 51 contain provisions related to Class Cost of Service (CCOS) and rate design, which are issued covered by Staff Witness Dr. Robert Glass in his Testimony in Support of the Non-Unanimous Settlement Agreement.

<u>The Commission's Standard of Review for Deciding Settlement Agreements</u>

Q. Has the Commission previously used factors or standards to review a Settlement Agreement?

A. Yes. The Commission's Order in Docket No. 08-ATMG-280-RTS discusses these five questions, or standards, and multiple agreements have been reviewed by the Commission using the five questions since that Order.[15] Staff will address each of the five questions as follows:

1. Was there an opportunity for the opposing party to be heard on their reasons for opposition to the stipulation and agreement;
2. Is the stipulation and agreement supported by substantial competent evidence in the record as a whole;
3. Does the stipulation and agreement conform to applicable law;

[15] Order Approving Contested Settlement Agreement, p. 5, Docket No. 08-ATMG-280-RTS (May 12, 2008).

4. Does the stipulation and agreement result in just and reasonable rates; and
5. Are the results of the stipulation and agreement in the public interest, including the interest of customers presented by the parties not consenting to the agreement.

Q. Please address whether each party had an opportunity to be heard on its reasons for opposing the Settlement Agreement.

A. The Settlement presented to the Commission is a Non-Unanimous Agreement, as there are a few parties that have not signed the Agreement and intend to actively oppose its adoption by the Commission. My understanding is that the parties that oppose the Agreement do so because of CCOS, rate design or tariff issues present in this Docket, which are issues addressed by the testimony of Staff Witness Dr. Robert Glass. For the elements of the Settlement that I am supporting, I am not aware of any party opposing the Agreement. In any case, all parties that were granted intervention in this Docket were present and participated in the Settlement discussions that took place July 9th through the 13th. Those parties had an opportunity to advocate for adoption of their interests in the Settlement, and those parties will have an opportunity to present evidence in opposition to the Settlement when the Commission holds an evidentiary hearing on the merits of the Agreement. For all of these reasons, the Settlement satisfies this standard.

Q. Please address whether the Settlement Agreement is supported by substantial competent evidence in the record as a whole.

A. The Settlement is supported by substantial competent evidence in the record as a whole. The Settlement is supported by Westar's Application, direct and rebuttal testimony, as well as the direct and cross-answering testimony of several witnesses offering diverse and often conflicting perspectives about the issues presented in this case. Referring specifically to the revenue requirement component of this case, there were four parties that submitted testimony including a revenue requirement recommendation in this Docket. Each of those parties and their recommended rate reduction (or increase) is listed below:

- Staff: Net reduction of $69 million;
- CURB: Net reduction of $138.4 million;
- KIC: Net reduction of $54 million; and
- U.S. Department of Defense: Net increase of $32.54 million.

Q. How was the revenue requirement reduction of $66 million arrived at by the parties?

A. While there is not an exact determination of the revenue requirement specified in the Agreement, there are several possible scenarios whereby the Commission could determine a revenue requirement reduction of $66 million. First, that rate reduction is only $3 million less than the rate reduction included in Staff's filed position in this Docket. When you consider the fact that Staff's filed position did not include the $2.02 million of increased nuclear decommissioning accruals recommended by Staff witness Adam Gatewood but the revised Settlement agreement does include this funding, the difference falls to less than $1 million.[16] On the other hand, this

[16] Staff's original recommendation was for increased nuclear decommissioning accruals to be recovered through Westar's RECA. This provision was not adopted in the Settlement, instead, there is a provision for increased funding baked into the revenue requirement reduction in base rates.

does not account for the fact that there were several changes to Westar's filed position presented by Westar in rebuttal that would have also affected Staff's litigation position if this case were to have gone to a full evidentiary hearing.

For example, Staff believes that our filed position did not properly reduce the Accumulated Deferred Income Tax (ADIT) associated with the removal of the Western Plains Wind Farm from the revenue requirement. This issue is discussed in Westar witness Andy Devin's rebuttal testimony and increases the revenue requirement by $1.7 million. On the other hand, the recognition of bonus depreciation (that caused this larger than originally known ADIT accumulation) in the calculation of the levelized revenue requirement for Western Plains results in a reduction of the levelized cost of Western Plains by approximately $700,000. The net result is an increase in the revenue requirement of right at $1 million. Rounding out the differences between Staff's filed position and what Staff's litigation position would have been are minor errors in our adjustments to pension expense; the Western Plains levelized revenue requirement; and our adjustment to update working capital balances. In the final analysis, reflecting this updated information in Staff's revenue requirement calculations accounted for an increase of $812,670 from our original filed position.

What the above information demonstrates is that the agreed-upon revenue requirement reduction is very close to the reduction that Staff recommended before the Commission as its litigated position. What is not considered in this analysis, however, is the fact that the Agreement contains several positions that were advocated by CURB or KIC and, therefore, were not part of Staff's original recommendation. These provisions include the different treatment of Jeffrey Energy Center Non-Fuel Operating and Maintenance expenses, the recovery of the Western Plains Wind Farm through a fixed price PPA approach, different treatment for the increase in funding associated with the Nuclear Decommissioning Trust accruals, and others. These provisions were advocated for by CURB and other interveners in their respective testimonies and are an integral part of the value to customers that is represented by the Settlement Agreement.

Q. How was the fixed price of $20.70/MWh arrived at for the Western Plains Wind Farm?

A. The schedule that supports this calculation is attached to this testimony as Exhibit JTG-9. The $20.70/MWh was derived in the same fashion as presented in the Exhibit JTG-2 to my Direct Testimony, which calculated a fixed price per MWh of $21.27/MWh. The difference is that the revenue requirement calculation for the Western Plains Wind Farm has been updated to reflect the impact of Westar's decision to utilize bonus depreciation for its 2017 tax year. This fact was not captured in my Exhibit JTG-2 or in any of Westar's calculations of the levelized cost of Western Plains. This is an example of an issue that was discovered late in the discovery process as a result of Westar's rebuttal testimony and Settlement talks among the parties. This reduction in the fixed price per MWh for Western Plains resulted in a $700,000 reduction to the levelized revenue requirement for the wind farm, which is based on the capacity factor of 46.57%.

Q. Please address whether the Settlement conforms to applicable law.

A. I am not an attorney, however, it is my understanding that the Settlement does follow precedent for similar settlements in the past that have been executed in an effort to conform to applicable laws. Staff negotiated this Settlement consistent with its understanding of Staff's legally-authorized role in settling a rate case and Staff's understanding of applicable laws, regulations, and controlling authority. All attempts were made to ensure that this Settlement conforms to applicable laws and is presented in a fashion to allow this Commission to properly approve the Settlement. Staff counsel will be available at the hearing to address any specific issues or questions from the Commissioners regarding the Settlement's conformity to applicable laws.

Q. Does Staff believe that the Settlement will result in just and reasonable rates?

A. Yes. Staff believes this Agreement results in rates that fall within the "zone of reasonableness" described by the Kansas courts in which the result is balanced between the interests of investors versus ratepayers, present versus future ratepayers, and is in the public interest generally. This opinion is supported by the fact that revenue requirement agreed to in the Settlement is much closer to Staff's filed position than Westar's or any other intervener in the Docket.

Staff's Direct Testimony was filed with the intention of balancing all of the interests represented in this case and the agreed upon total revenue reduction is a substantial reduction in rates from Westar's filed position. This agreed-upon revenue requirement reduction strikes the proper balance between the Company's desire to have a reasonable assurance that it will earn sufficient revenues and cash flows to meet its financial obligations and the need to keep rates as low as possible for the customers, while providing reliable electric service.

Additionally, the Settlement includes a provision that allows Westar to recover the costs of the Western Plains Wind Farm from customers in the same fashion as a fixed price PPA. That is, customers pay a levelized cost for the Western Plains wind farm based on an assumed capacity factor of 46.57%, at a cost of $20.70/MWh. In the event that production exceeds the capacity factor of 48.57%, customers will pay for each MWh the wind farm produces, no more, no less. In the event that the production is less than 44.57%, customers will receive a credit for each MWh that the wind farm didn't produce. In this fashion, customers are protected from the downside risks of increasing O&M expenses, capital maintenance costs, lower production rates, and other risks associated with utility ownership of wind. Because the fixed price PPA approach described above insulates ratepayers from the risks typically associated with wind farm ownership, these risks are shifted to shareholders. Accordingly, paragraph 24 of the Settlement includes a provision which allows Westar shareholders to capitalize on any residual value of the wind farm after its expected life of 20 years. This is reasonable and balanced between ratepayers and shareholders, as is required in order for rates to be just and reasonable.

Q. Is there anything else you wish to add that might help the Commission evaluate the reasonableness of the Settlement Agreement?

A. Yes. Settlement negotiations for a docket like this one are an exhaustive, extensive, and dynamic process. The Parties that are involved in this Docket are all represented by professional and experienced accountants, economists, engineers, financial analysts, rate analysts and attorneys with decades of combined experience amongst them. The presence of professional expert witnesses and attorneys helps ensure that any unreasonable position(s) taken by any party are eliminated by opposing parties through the Settlement process. More specifically, while an unreasonable position(s) may or may not be discussed explicitly in settlement, each party is generally unwilling to make concessions to unreasonable position(s) and will exclude such unreasonable position(s) from their respective Settlement positions. Simply put, a Settlement that is able to satisfy each of these very diverse and competing interests is not easy to accomplish. The fact that all parties in this case, with diverse and often competing interests, have found common ground for resolving the revenue requirement and policy issues strongly supports Staff's contention that the Settlement in this case will result in just and reasonable rates that are in the public interest**.**

Q. Are you aware of the balancing test set forth by the Kansas Supreme Court for determining whether rates are "just and reasonable"?

A. Yes, the Kansas Supreme Court has stated:

The leading cases in this area clearly indicate that the goal should be a rate fixed within the 'zone of reasonableness' after the application of a balancing test in which the interests of all concerned parties are considered. In rate making cases, the parties whose interests must be considered and balanced are these: (1) the utility's investors vs. the ratepayers; (2) the present ratepayers vs. the future ratepayers; and (3) the public interest.[17]

Q. What evidence in this case should be considered when performing the balancing tests set forth by the Kansas Supreme Court?

A. Staff's contention is that the Settlement before the Commission easily passes the balancing test set forth by the Kansas Supreme Court. The following supports that contention: (1) the agreed-upon revenue requirement reduction balances the interests of the utility's investors and the ratepayers because it is a substantial reduction from Westar's filed position without jeopardizing the ability of Westar to provide efficient and sufficient electric service; (2) Staff has strived to eliminate any intergenerational inequity in our filed position (specifically with regard to our depreciation rate recommendations, our Nuclear Decommissioning Trust accrual recommendations, and others), and the Settlement and, therefore, the Settlement provides a fair balance between present and future ratepayers; and (3) the fact that both of the two factors above have been met is itself an indication that the Agreement is in the public interest, however, I will discuss this in greater detail below.

Q. Does Staff believe the results of the Agreement are in the public interest?

A. Yes. There were multiple interests represented by the parties involved in the negotiations, with CURB representing the interests of residential and small general service ratepayers, Westar representing the interest of its management and

[17] *Kan. Gas and Electric Co. v. State Corp Comm'n*, 239 Kan. 483, 488 (1986).

shareholders, KIC representing the interests of large industrial users of electricity, several other interveners each representing their interests (U.S. DOD, Walmart, Kroger, U.S.D. 259, Tyson, Frontier, the Topeka Metropolitan Transit Authority, and the Kansas State Board of Regents) with Staff attempting to balance each of those interests while representing the interests of the public generally. Because these varied interests were able to collaborate and present a unanimous resolution of most of the issues in this case, the public interest standard has been met.

Generally speaking, the public interest is served when ratepayers are protected from unnecessarily high prices discriminatory prices and/or unreliable service. More specifically, it is Staff's opinion that the Settlement meets the public interest because:

- It reduces the amount of Westar's requested revenue increase and instead implements a rate reduction of $66 million;
- It provides Westar with sufficient revenues and cash flows to meets its financial obligations and provide reliable electric service;
- In settlement negotiations, each of the Parties represented their respective interests by putting time, thought, and professional analysis into deriving a Settlement position that they find reasonable;
- The stipulated revenue reduction was based on the record and a reasonable compromise among the parties based on each party's own analysis of a reasonable outcome;

- If this Settlement is approved, the parties would avoid the costly and time-consuming process of a fully-litigated hearing. It is in the public interest to avoid these costs if possible and this Settlement accomplishes that; and
- The Settlement contains an innovative and balanced regulatory recovery mechanism for the Western Plains Wind Farm. In this regard, the agreed-upon rate reduction includes the levelized revenue requirement of the Western Plains Wind Farm which is based on a fixed price of $20.70.MWh and an expected capacity factor of 46.57%. However, the Settlement also calls for customers to pay for, or receive a credit for, any deviations in expected production from the wind farm outside of a 2% dead band around the 46.57% capacity factor. These payments or credits are at the same fixed price of $20.70/MWh. The result is that functionally, Westar ratepayers pay for Western Plains as if it were procured through a PPA.

Q. Should the Commission accept the Settlement as a reasonable resolution of the issues in this Docket?

A. Yes, the Settlement represents a reasonable resolution of the issues in this Docket, will result in just and reasonable rates, is in the public interest, is supported by substantial competent evidence in the record, and falls within the realm of reasonable debate and the zone of reasonableness.

Q. Does this conclude your testimony?

A. Yes, thank you.

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

Staff Exhibit JTG-9

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
Western Plains Wind Farm																				
MW Capacity	280.6																			
Capacity Factor	46.57%																			
Annual MWh	1,144,717																			
Land	$ 12,574	***Gross plant per ledger 6/30/2017***																		
Depreciable Basis	402,183	***Gross plant per ledger 6/30/2017***																		
Decommissioning	13,471	***Exclude from rate base***																		
Total Project Cost	$ 428,228																			
O&M:																				
Labor and overheads	$ 645																			
Subcontract labor	5,353																			
Other O&M	807																			
O&M excluding Royalty and PILOT payments	$ 6,806																			
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
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
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
	Wind																			
Book Depreciation	4.95%																			
MACRS 5	20.00%	32.00%	19.20%	11.52%	11.52%	5.76%														
MACRS 5 with 50% Bonus	60.00%	16.00%	9.60%	5.76%	5.76%	2.88%														
Property Tax - Wind	Lifetime exemption		0.00%	**Property Tax Rate - *Western Plains qualifies for the lifetime property tax exemption***																
Wind Production Tax Credit	$ (24.00)	per MWh	1	1 = tax credit, 2 = no tax credit																
Fuel $/MWh - Wind	$ (24.00)	$ (24.60)	$ (25.22)	$ (25.85)	$ (26.49)	$ (27.15)	$ (27.83)	$ (28.53)	$ (29.24)	$ (29.97)										
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)										
Annual Insurance	$ 170																			
Insurance Rates (inflated)	$ 170	$ 179	$ 188	$ 197	$ 207	$ 217	$ 228	$ 240	$ 252	$ 264	$ 277	$ 291	$ 306	$ 321	$ 337	$ 354	$ 372	$ 390	$ 410	$ 430
General Inflation	2.5%																			
Insurance Inflation	5.0%																			
Tax Rate	26.53%	*Reflects 21% federal and 7% state tax rates*																		

Capital Structure:

	Percent	Cost	After Tax WACC	Pretax WACC	After Tax w/Tax Shield
Debt	48.54%	4.68%	2.27%	2.27%	1.67%
Equity	51.46%	9.30%	4.79%	6.51%	4.79%
			7.06%	8.79%	6.45%

Capital Outlay:

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Western Plains Wind Farm																				
Gross Plant - Land	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574	12,574
Book Depreciation																				
Accumulated Depreciation																				
Net Book Plant	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574	$ 12,574
Gross Plant - Generators	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183
Book Depreciation	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908
Accumulated Depreciation	19,908	39,816	59,724	79,632	99,540	119,448	139,356	159,264	179,172	199,081	218,989	238,897	258,805	278,713	298,621	318,529	338,437	358,345	378,253	398,161
Net Book Plant	$ 382,275	$ 362,367	$ 342,459	$ 322,551	$ 302,643	$ 282,735	$ 262,826	$ 242,918	$ 223,010	$ 203,102	$ 183,194	$ 163,286	$ 143,378	$ 123,470	$ 103,562	$ 83,654	$ 63,746	$ 43,838	$ 23,930	$ 4,022
Tax Basis	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183	$ 402,183
Tax Depreciation Rate	60.00%	16.00%	9.60%	5.76%	5.76%	2.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Depreciation	241,310	64,349	38,610	23,166	23,166	11,583	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated Tax Depreciation	241,310	305,659	344,269	367,434	390,600	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183	402,183
Net Tax Basis	$ 160,873	$ 96,524	$ 57,914	$ 34,749	$ 11,583	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current Deferred Tax	$ 58,738	$ 11,790	$ 4,962	$ 864	$ 864	$ (2,209)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)	$ (5,282)
Accumulated Deferred Tax	$ 58,738	$ 70,528	$ 75,490	$ 76,354	$ 77,218	$ 75,009	$ 69,728	$ 64,446	$ 59,165	$ 53,883	$ 48,601	$ 43,320	$ 38,038	$ 32,757	$ 27,475	$ 22,193	$ 16,912	$ 11,630	$ 6,349	$ 1,067

Revenue Requirement:

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Net Book Plant	$ 394,849	$ 374,941	$ 355,033	$ 335,125	$ 315,217	$ 295,309	$ 275,401	$ 255,493	$ 235,585	$ 215,677	$ 195,769	$ 175,861	$ 155,952	$ 136,044	$ 116,136	$ 96,228	$ 76,320	$ 56,412	$ 36,504	$ 16,596
Accumulated Deferred Income Taxes	58,738	70,528	75,490	76,354	77,218	75,009	69,728	64,446	59,165	53,883	48,601	43,320	38,038	32,757	27,475	22,193	16,912	11,630	6,349	1,067
Rate Base	$ 336,111	$ 304,413	$ 279,543	$ 258,771	$ 237,999	$ 220,299	$ 205,673	$ 191,046	$ 176,420	$ 161,794	$ 147,167	$ 132,541	$ 117,914	$ 103,288	$ 88,661	$ 74,035	$ 59,408	$ 44,782	$ 30,156	$ 15,529
Average Rate Base	$ 375,434	$ 320,262	$ 291,978	$ 269,157	$ 248,385	$ 229,149	$ 212,986	$ 198,360	$ 183,733	$ 169,107	$ 154,480	$ 139,854	$ 125,227	$ 110,601	$ 95,975	$ 81,348	$ 66,722	$ 52,095	$ 37,469	$ 22,842
Pre-Tax Rate of Return	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%	8.79%
Pre-Tax Rate of Return on Rate Base	$ 32,984	$ 28,137	$ 25,652	$ 23,647	$ 21,822	$ 20,132	$ 18,712	$ 17,427	$ 16,142	$ 14,857	$ 13,572	$ 12,287	$ 11,002	$ 9,717	$ 8,432	$ 7,147	$ 5,862	$ 4,577	$ 3,292	$ 2,007
Pretax Return on Equity	$ 24,455	$ 20,862	$ 19,019	$ 17,533	$ 16,180	$ 14,927	$ 13,874	$ 12,921	$ 11,968	$ 11,015	$ 10,063	$ 9,110	$ 8,157	$ 7,204	$ 6,252	$ 5,299	$ 4,346	$ 3,393	$ 2,441	$ 1,488
Pretax Cost of Debt	$ 8,529	$ 7,275	$ 6,633	$ 6,114	$ 5,642	$ 5,206	$ 4,838	$ 4,506	$ 4,174	$ 3,842	$ 3,509	$ 3,177	$ 2,845	$ 2,512	$ 2,180	$ 1,848	$ 1,516	$ 1,183	$ 851	$ 519
Tax Expense/(Credit) (PTC grossed up for taxes)	$ (37,394)	$ (38,952)	$ (38,952)	$ (40,510)	$ (40,510)	$ (42,068)	$ (43,626)	$ (45,184)	$ (45,184)	$ (46,742)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

O&M																				
Variable O&M	$ 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
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
PILOT Payments	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
Insurance Expense	170	179	188	197	207	217	228	240	252	264	277	291	306	321	337	354	372	390	410	430
Property Tax - Wind											-	-	-	-	-	-	-	-	-	-
Total O&M	$ 11,214	$ 11,430	$ 11,651	$ 11,878	$ 12,111	$ 12,351	$ 12,597	$ 12,850	$ 13,109	$ 13,376	$ 13,649	$ 13,931	$ 14,219	$ 14,516	$ 14,821	$ 15,706	$ 16,027	$ 16,358	$ 16,697	$ 17,046
Depreciation Expense	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908	$ 19,908
Total Revenue Requirement	**$ 26,712**	**$ 20,523**	**$ 18,259**	**$ 14,923**	**$ 13,332**	**$ 10,323**	**$ 7,591**	**$ 5,001**	**$ 3,975**	**$ 1,399**	**$ 47,130**	**$ 46,126**	**$ 45,129**	**$ 44,141**	**$ 43,161**	**$ 42,761**	**$ 41,797**	**$ 40,843**	**$ 39,897**	**$ 38,960**
Total GWh of Generation	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717	1,144,717
Total Revenue Requirement Per MWh	$ 23.34	$ 17.93	$ 15.95	$ 13.04	$ 11.65	$ 9.02	$ 6.63	$ 4.37	$ 3.47	$ 1.22	$ 41.17	$ 40.29	$ 39.42	$ 38.56	$ 37.70	$ 37.36	$ 36.51	$ 35.68	$ 34.85	$ 34.03
Levelized Revenue Requirements																				
20 Yr NPV	$ 249,935																			
Discount Rate	7.06%																			
20 Yr Levelized Revenue Requirement	$ 23,698																			
20 Yr Levelized Revenue Requirement per MWh	**$ 20.70**																			
Levelized Revenue Requirements	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**	**$ 23,698**
Delta between levelized and traditional	$ (3,015)	$ 3,175	$ 5,439	$ 8,774	$ 10,366	$ 13,375	$ 16,107	$ 18,697	$ 19,722	$ 22,299	$ (23,432)	$ (22,428)	$ (21,432)	$ (20,443)	$ (19,463)	$ (19,063)	$ (18,100)	$ (17,145)	$ (16,199)	$ (15,263)
NPV of delta	($0.00)																			
Accounting Order Journal Entries:																				
(Credit) Debit Revenue	$ (3,015)	$ 3,175	$ 5,439	$ 8,774	$ 10,366	$ 13,375	$ 16,107	$ 18,697	$ 19,722	$ 22,299	$ (23,432)	$ (22,428)	$ (21,432)	$ (20,443)	$ (19,463)	$ (19,063)	$ (18,100)	$ (17,145)	$ (16,199)	$ (15,263)
Reg Asset (Liability)	$ 3,015	(3,175)	(5,439)	(8,774)	(10,366)	(13,375)	(16,107)	(18,697)	(19,722)	(22,299)	23,432	22,428	21,432	20,443	19,463	19,063	18,100	17,145	16,199	15,263
Debit Reg Asset (Liability)	$ 106	$ 108	$ (188)	$ (703)	$ (1,428)	$ (2,366)	$ (3,574)	$ (5,054)	$ (6,766)	$ (8,727)	$ (9,303)	$ (8,341)	$ (7,382)	$ (6,425)	$ (5,471)	$ (4,497)	$ (3,503)	$ (2,507)	$ (1,507)	$ (503)
(Credit) Interest Expense	$ (106)	$ (108)	$ 188	$ 703	$ 1,428	$ 2,366	$ 3,574	$ 5,054	$ 6,766	$ 8,727	$ 9,303	$ 8,341	$ 7,382	$ 6,425	$ 5,471	$ 4,497	$ 3,503	$ 2,507	$ 1,507	$ 503
Deferred Asset (Liability) Beginning Balance	$ -	$ 3,121	$ 55	$ (5,572)	$ (15,049)	$ (26,843)	$ (42,584)	$ (62,264)	$ (86,015)	$ (112,504)	$ (143,530)	$ (129,401)	$ (115,314)	$ (101,264)	$ (87,246)	$ (73,253)	$ (58,687)	$ (44,090)	$ (29,452)	$ (14,760)
Deferred Asset (Liability) Current Year Activity	3,015	(3,175)	(5,439)	(8,774)	(10,366)	(13,375)	(16,107)	(18,697)	(19,722)	(22,299)	23,432	22,428	21,432	20,443	19,463	19,063	18,100	17,145	16,199	15,263
Deferred Asset (Liability) Carry Charge	106	108	(188)	(703)	(1,428)	(2,366)	(3,574)	(5,054)	(6,766)	(8,727)	(9,303)	(8,341)	(7,382)	(6,425)	(5,471)	(4,497)	(3,503)	(2,507)	(1,507)	(503)
Deferred Asset (Liability) Ending Balance	$ 3,121	$ 55	$ (5,572)	$ (15,049)	$ (26,843)	$ (42,584)	$ (62,264)	$ (86,015)	$ (112,504)	$ (143,530)	$ (129,401)	$ (115,314)	$ (101,264)	$ (87,246)	$ (73,253)	$ (58,687)	$ (44,090)	$ (29,452)	$ (14,760)	$ 0
Accounting Order:																				
Income Statement:																				
Revenue from customers	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698	$ 23,698
Revenue - accounting entries	3,015	(3,175)	(5,439)	(8,774)	(10,366)	(13,375)	(16,107)	(18,697)	(19,722)	(22,299)	23,432	22,428	21,432	20,443	19,463	19,063	18,100	17,145	16,199	15,263
O&M	11,214	11,430	11,651	11,878	12,111	12,351	12,597	12,850	13,109	13,376	13,649	13,931	14,219	14,516	14,821	15,706	16,027	16,358	16,697	17,046
Depreciation	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908
Operating income	$ (4,410)	$ (10,815)	$ (13,300)	$ (16,863)	$ (18,688)	$ (21,936)	$ (24,914)	$ (27,757)	$ (29,042)	$ (31,885)	$ 13,572	$ 12,287	$ 11,002	$ 9,717	$ 8,432	$ 7,147	$ 5,862	$ 4,577	$ 3,292	$ 2,007
Theoretical interest - plant	8,529	7,275	6,633	6,114	5,642	5,206	4,838	4,506	4,174	3,842	3,509	3,177	2,845	2,512	2,180	1,848	1,516	1,183	851	519
Theoretical interest - short/(excess) cash	106	108	(188)	(703)	(1,428)	(2,366)	(3,574)	(5,054)	(6,766)	(8,727)	(9,303)	(8,341)	(7,382)	(6,425)	(5,471)	(4,497)	(3,503)	(2,507)	(1,507)	(503)
Carry charge - accounting entries	(106)	(108)	188	703	1,428	2,366	3,574	5,054	6,766	8,727	9,303	8,341	7,382	6,425	5,471	4,497	3,503	2,507	1,507	503
Income before taxes	$ (12,938)	$ (18,090)	$ (19,933)	$ (22,977)	$ (24,330)	$ (27,141)	$ (29,752)	$ (32,263)	$ (33,216)	$ (35,727)	$ 10,063	$ 9,110	$ 8,157	$ 7,204	$ 6,252	$ 5,299	$ 4,346	$ 3,393	$ 2,441	$ 1,488
Income tax	(3,433)	(4,799)	(5,288)	(6,096)	(6,455)	(7,201)	(7,893)	(8,559)	(8,812)	(9,478)	2,670	2,417	2,164	1,911	1,659	1,406	1,153	900	648	395
Income tax credits	(27,473)	(28,618)	(28,618)	(29,763)	(29,763)	(30,907)	(32,052)	(33,197)	(33,197)	(34,342)	-	-	-	-	-	-	-	-	-	-
Net income	$ 17,967	$ 15,327	$ 13,973	$ 12,881	$ 11,887	$ 10,967	$ 10,193	$ 9,493	$ 8,793	$ 8,093	$ 7,393	$ 6,693	$ 5,993	$ 5,293	$ 4,593	$ 3,893	$ 3,193	$ 2,493	$ 1,793	$ 1,093
ROE	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Cash Flow:																				
Net Income:	$ 17,967	$ 15,327	$ 13,973	$ 12,881	$ 11,887	$ 10,967	$ 10,193	$ 9,493	$ 8,793	$ 8,093	$ 7,393	$ 6,693	$ 5,993	$ 5,293	$ 4,593	$ 3,893	$ 3,193	$ 2,493	$ 1,793	$ 1,093
Add: Depreciation	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908
Add: Accounting Revenue	(3,015)	3,175	5,439	8,774	10,366	13,375	16,107	18,697	19,722	22,299	(23,432)	(22,428)	(21,432)	(20,443)	(19,463)	(19,063)	(18,100)	(17,145)	(16,199)	(15,263)
Add: Deferred Income Taxes (def asset/liability)	800	(842)	(1,443)	(2,328)	(2,750)	(3,548)	(4,273)	(4,960)	(5,232)	(5,916)	6,216	5,950	5,686	5,424	5,164	5,058	4,802	4,549	4,298	4,049
Add: Deferred Income Taxes (plant related)	58,738	11,790	4,962	864	864	(2,209)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)
Cash Flow	$ 94,398	$ 49,358	$ 42,839	$ 40,100	$ 40,275	$ 38,492	$ 36,653	$ 37,856	$ 37,910	$ 39,103	$ 4,804	$ 4,842	$ 4,874	$ 4,900	$ 4,920	$ 4,514	$ 4,522	$ 4,523	$ 4,518	$ 4,506
NPV	$ 352,572																			
Traditional Rate Making:																				
Income Statement:																				
Revenue from customers	$ 26,712	$ 20,523	$ 18,259	$ 14,923	$ 13,332	$ 10,323	$ 7,591	$ 5,001	$ 3,975	$ 1,399	$ 47,130	$ 46,126	$ 45,129	$ 44,141	$ 43,161	$ 42,761	$ 41,797	$ 40,843	$ 39,897	$ 38,960
O&M	11,214	11,430	11,651	11,878	12,111	12,351	12,597	12,850	13,109	13,376	13,649	13,931	14,219	14,516	14,821	15,706	16,027	16,358	16,697	17,046
Depreciation	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908
Operating income	$ (4,410)	$ (10,815)	$ (13,300)	$ (16,863)	$ (18,688)	$ (21,936)	$ (24,914)	$ (27,757)	$ (29,042)	$ (31,885)	$ 13,572	$ 12,287	$ 11,002	$ 9,717	$ 8,432	$ 7,147	$ 5,862	$ 4,577	$ 3,292	$ 2,007
Interest	8,529	7,275	6,633	6,114	5,642	5,206	4,838	4,506	4,174	3,842	3,509	3,177	2,845	2,512	2,180	1,848	1,516	1,183	851	519
Income before taxes	$ (12,938)	$ (18,090)	$ (19,933)	$ (22,977)	$ (24,330)	$ (27,141)	$ (29,752)	$ (32,263)	$ (33,216)	$ (35,727)	$ 10,063	$ 9,110	$ 8,157	$ 7,204	$ 6,252	$ 5,299	$ 4,346	$ 3,393	$ 2,441	$ 1,488
Income tax	(3,433)	(4,799)	(5,288)	(6,096)	(6,455)	(7,201)	(7,893)	(8,559)	(8,812)	(9,478)	2,670	2,417	2,164	1,911	1,659	1,406	1,153	900	648	395
Income tax credits	(27,473)	(28,618)	(28,618)	(29,763)	(29,763)	(30,907)	(32,052)	(33,197)	(33,197)	(34,342)	-	-	-	-	-	-	-	-	-	-
Net income	$ 17,967	$ 15,327	$ 13,973	$ 12,881	$ 11,887	$ 10,967	$ 10,193	$ 9,493	$ 8,793	$ 8,093	$ 7,393	$ 6,693	$ 5,993	$ 5,293	$ 4,593	$ 3,893	$ 3,193	$ 2,493	$ 1,793	$ 1,093
ROE	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Cash Flow:																				
Net Income:	$ 17,967	$ 15,327	$ 13,973	$ 12,881	$ 11,887	$ 10,967	$ 10,193	$ 9,493	$ 8,793	$ 8,093	$ 7,393	$ 6,693	$ 5,993	$ 5,293	$ 4,593	$ 3,893	$ 3,193	$ 2,493	$ 1,793	$ 1,093
Add: Depreciation	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908	19,908
Add: Accounting Revenue																				
Add: Deferred Income Taxes (def asset/liability)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add: Deferred Income Taxes (plant related)	58,738	11,790	4,962	864	864	(2,209)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)	(5,282)
Cash Flow	$ 96,613	$ 47,025	$ 38,843	$ 33,654	$ 32,659	$ 28,666	$ 24,819	$ 24,120	$ 23,420	$ 22,720	$ 22,020	$ 21,320	$ 20,620	$ 19,920	$ 19,220	$ 18,520	$ 17,820	$ 17,120	$ 16,420	$ 15,720
NPV	$ 352,572																			

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Justin T. Grady, being duly sworn upon his oath deposes and states that he is a Chief Auditor for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Testimony in Support of Non-Unanimous Settlement Agreement*, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.

Justin T. Grady
Chief Auditor
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 18th day of July, 2018.

VICKI D JACOBSEN
Notary Public - State of Kansas
My Appt Expires 6-30-18

Vicki D. Jacobsen
Notary Public

My Appointment Expires: June 30, 2018

CERTIFICATE OF SERVICE

18-WSEE-328-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Staff Justin T . Grady's Testimony in Support of Non-Unanimous Stipulation and Agreement was served via electronic service this 18th day of July, 2018, to the following:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067
Fax: 785-242-1279
jflaherty@andersonbyrd.com

KURT J. BOEHM, ATTORNEY
BOEHM, KURTZ & LOWRY
36 E SEVENTH ST STE 1510
CINCINNATI, OH 45202
Fax: 513-421-2764
kboehm@bkllawfirm.com

JODY KYLER COHN, ATTORNEY
BOEHM, KURTZ & LOWRY
36 E SEVENTH ST STE 1510
CINCINNATI, OH 45202
Fax: 513-421-2764
jkylercohn@bkllawfirm.com

MARTIN J. BREGMAN
BREGMAN LAW OFFICE, L.L.C.
311 PARKER CIRCLE
LAWRENCE, KS 66049
mjb@mjbregmanlaw.com

C. EDWARD PETERSON
C. EDWARD PETERSON, ATTORNEY AT LAW
5522 ABERDEEN
FAIRWAY, KS 66205
Fax: 913-722-0181
ed.peterson2010@gmail.com

THOMAS J. CONNORS, ATTORNEY AT LAW
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
tj.connors@curb.kansas.gov

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
t.love@curb.kansas.gov

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.nickel@curb.kansas.gov

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
s.rabb@curb.kansas.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.smith@curb.kansas.gov

CERTIFICATE OF SERVICE

18-WSEE-328-RTS

DANIEL R. ZMIJEWSKI
DRZ LAW FIRM
9229 WARD PARKWAY STE 370
KANSAS CITY, MO 64114
Fax: 816-523-5667
dan@drzlawfirm.com

DAVID BENDER
EARTHJUSTICE
3916 Nakoma Road
Madison, WI 63711
dbender@earthjustice.org

FLORA CHAMPENOIS
EARTHJUSTICE
1625 Massachusetts Ave., NW
Suite702
Washington, DC 20036
fchamenois@earthjustice.org

SHANNON FISK, ATTORNEY
EARTHJUSTICE
1617 JOHN F KENNEDY BLVD
SUITE 1675
PHILADELPHIA, PA 19103
sfisk@earthjustice.org

MARIO A. LUNA
EARTHJUSTICE
1625 Massachusetts Ave., NW
Suite 702
Washington, DC 20036
aluna@earthjustice.org

JILL TAUBER
EARTHJUSTICE
1625 Massachusetts Ave., NW
Suite 702
Washington, DC 20036
jtauber@earthjustice.org

NICOLAS THORPE
EARTHJUSTICE
1625 Massachusetts Ave., NW
Suite 702
Washington, DC 20036
nthorpe@earthjustice.org

GABRIELLE WINICK
EARTHJUSTICE
1625 Massachusetts Ave., NW
Suite 702
Washington, DC 20036
gwinick@earthjustice.org

ELIZABETH A. BAKER
6610 SW 29th St.
Topeka, KS 66614
betsy@bakerlawks.com

GREG WRIGHT
EMG, INC.
420 NE LYMAN RD.
TOPEKA, KS 66608
greg@emgnow.com

KEVIN HIGGINS
ENERGY STRATEGIES, LLC
PARKSIDE TOWERS
215 S STATE ST STE 200
SALT LAKE CITY, UT 84111
Fax: 801-521-9142
khiggins@energystrat.com

DAVID BANKS, CEM, CEP
FLINT HILLS ENERGY CONSULTANT
117 S PARKRIDGE
WICHITA, KS 67209
david@fheconsultants.net

CERTIFICATE OF SERVICE

18-WSEE-328-RTS

MATTHEW H. MARCHANT
HOLLYFRONTIER CORPORATION
2828 N HARWOOD STE 1300
DALLAS, TX 75201
matthew.marchant@hollyfrontier.com

DARIN L. RAINS
HOLLYFRONTIER CORPORATION
2828 N Harwood, Ste. 1300
Dallas, TX 75201
darin.rains@hollyfrontier.com

JUSTIN WATERS, ENERGY MANAGER
JUSTIN WATERS
USD 259 School Serv. Cntr.
3850 N. Hydraulic
Wichita, KS 67219
jwaters@usd259.net

NELDA HENNING, DIRECTOR OF FACILITIES
KANSAS BOARD OF REGENTS
1000 SW Jackson, Ste. 520
Topeka, KS 66612
nhenning@ksbor.org

PHOENIX ANSHUTZ, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
p.anshutz@kcc.ks.gov

MICHAEL DUENES, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
m.duenes@kcc.ks.gov

AMBER SMITH, CHIEF LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3167
a.smith@kcc.ks.gov

ROBERT V. EYE, ATTORNEY AT LAW
KAUFFMAN & EYE
4840 Bob Billings Pkwy, Ste. 1010
Lawrence, KS 66049-3862
Fax: 785-749-1202
bob@kauffmaneye.com

TIMOTHY MAXWELL, VICE PRESIDENT, SPECIALTY FINANCE
KEF UNDERWRITING & PORTFOLIO MGMT.
1000 South McCaslin Blvd.
Superior, CO 80027
timothy_maxwell@keybank.com

KEVIN HIGGINS
KEVIN C. HIGGINS
PARKSIDE TOWERS
215 S STATE ST STE 200
SALT LAKE CITY, UT 84111
khiggins@energystrat.com

MATTHEW B. McKEON, SVP & SENIOR COUNSEL II
KEY EQUIPMENT FINANCE
17 Corporate Woods Blvd.
Albany, NY 12211
matthew.b.mckeon@key.com

AMY G. PAINE, SVP ASSET MGMT.
KEY EQUIPMENT FINANCE
1000 South McCaslin Blvd.
Superior, CO 80027
amy.g.paine@key.com

CERTIFICATE OF SERVICE

18-WSEE-328-RTS

ANDREW B. YOUNG, ATTORNEY
MAYER BROWN LLP
1999 K STREET NW
WASHINGTON, DC 20006
Fax: 312-701-7711
ayoung@mayerbrown.com

GENE CARR, CO-CEO
NETFORTRIS ACQUISITION CO., INC.
6900 DALLAS PKWY STE 250
PLANO, TX 75024-9859
gcarr@telekenex.com

ANNE E. CALLENBACH, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
Fax: 913-451-6205
acallenbach@polsinelli.com

FRANK A. CARO, JR., ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
Fax: 816-753-1536
fcaro@polsinelli.com

ANDREW O. SCHULTE, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
Fax: 816-753-1536
aschulte@polsinelli.com

SUNIL BECTOR, ATTORNEY
SIERRA CLUB
2101 WEBSTER, SUITE 1300
OAKLAND, CA 94312-3011
Fax: 510-208-3140
sunil.bector@sierraclub.org

ANDREW J. FRENCH, ATTORNEY AT LAW
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
Fax: 913-661-9863
andrew@smizak-law.com

DIANE WALSH, PARALEGAL
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
Fax: 913-661-9863
diane@smizak-law.com

JAMES P. ZAKOURA, ATTORNEY
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
Fax: 913-661-9863
jim@smizak-law.com

TOM POWELL, GENERAL COUNSEL-USD 259
TOM POWELL
903 S. Edgemoor
Wichita, KS 67218
tpowell@usd259.net

JOHN M. CASSIDY, GENERAL COUNSEL
TOPEKA METROPOLITAN TRANSIT AUTHORITY
201 N. Kansas Avenue
Topeka, KS 66603
jcassidy@topekametro.org

AMY FELLOWS CLINE, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
Fax: 316-630-8101
amycline@twgfirm.com

CERTIFICATE OF SERVICE

18-WSEE-328-RTS

TIMOTHY E. MCKEE, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
Fax: 316-630-8101
temckee@twgfirm.com

EMILY MEDLYN, GENERAL ATTORNEY
U.S. ARMY LEGAL SERVICES AGENCY
REGULATORY LAW OFFICE
9275 GUNSTON RD., STE. 1300
FORT BELVOIR, VA 22060-5546
Fax: 703-696-2960
emily.w.medlyn.civ@mail.mil

KEVIN K. LACHANCE, CONTRACT LAW ATTORNEY
UNITED STATES DEPARTMENT OF DEFENSE
ADMIN & CIVIL LAW DIVISION
OFFICE OF STAFF JUDGE ADVOCATE
FORT RILEY, KS 66442
Fax: 785-239-0577
kevin.k.lachance.civ@mail.mil

CATHRYN J. DINGES, SENIOR CORPORATE COUNSEL
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
Fax: 785-575-8136
cathy.dinges@westarenergy.com

DAVID L. WOODSMALL
WOODSMALL LAW OFFICE
308 E HIGH ST STE 204
JEFFERSON CITY, MO 65101
Fax: 573-635-7523
david.woodsmall@woodsmalllaw.com

/s/ Vicki Jacobsen

Vicki Jacobsen