

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

DIRECT TESTIMONY

OF

GREG A. GREENWOOD

WESTAR ENERGY



APR 15 2013

by
State Corporation Commission
of Kansas

DOCKET NO. 13-WSEE-629-RTS

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Greg A. Greenwood, 818 South Kansas Avenue, Topeka, Kansas
66612.

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

A. Westar Energy, Inc. (Westar), as Senior Vice President, Strategy.
In this capacity, I am the executive principally responsible for
Westar's regulatory group, as well as environmental compliance
and major construction projects.

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

A. In 1988, I graduated magna cum laude with a Bachelor of Business
Administration degree in Accounting from Washburn University. I
am also a certified public accountant, with five years of public

1 accounting experience prior to joining Westar. I joined Westar in
2 April 1993 as a staff accountant in the corporate tax department. In
3 September 1995, I joined the finance department as a financial
4 analyst. I held a variety of positions of increasing responsibility
5 within the finance organization until 2006, focusing primarily on
6 financial forecasting and analysis and strategic business planning,
7 as well as raising funds for Westar in the capital markets. I was
8 Westar's Treasurer from February 2003 through August 2006
9 before being named Vice President, Generation Construction in
10 August 2006. In August 2011, I was named to my current position
11 as Senior Vice President, Strategy.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 A. I will:

- 14 1. Provide an overview of Westar's filing and the authority for it;
- 15 2. Summarize the adjustments to Westar's revenue
16 requirement proposed in this docket related to Westar's
17 investment in environmental upgrades at La Cygne
18 Generating Station (La Cygne) and the amortization of costs
19 related to an ice storm that occurred in 2007;
- 20 3. Summarize the class cost of service studies presented by
21 Westar in this docket and the cost allocation Westar is
22 proposing;

1 **ESTABLISHED BY THE COMMISSION IN THE PRIOR RATE**
2 **ORDER?**

3 A. Yes. See Order Approving Nonunanimous Stipulation and
4 Agreement with Modification, Docket No. 12-WSEE-112-RTS, at
5 Ordering ¶ B (April 18, 2012) (April 18 Order); Stipulation and
6 Agreement, Attachment 2 to April 18 Order, at ¶¶ 18 and 25.

7 **Q. DID WESTAR RECEIVE PERMISSION FROM THE COMMISSION**
8 **TO MAKE AN ABBREVIATED FILING?**

9 A. Yes. See April 18 Order, at ¶ 84. Specifically, the Stipulation and
10 Agreement (S&A) approved by the Commission in the 112 Docket
11 indicated that Westar would address the following issues in this
12 abbreviated rate case:

13 1. an update to rates to include capital costs incurred by
14 Westar related to environmental projects at La Cygne that
15 were approved by the Commission in Docket No. 11-KCPE-
16 581-PRE, up to the amount of costs approved by the
17 Commission in that docket but not included in rates in the
18 112 Docket;

19 2. an update to rates to reflect the recovery through
20 amortization of costs associated with the 2007 ice storm that
21 were initially included in Westar's cost of service in Docket
22 No. 08-WSEE-1041-RTS; and

23 3. class cost of service, class cost allocation, and rate design.

1 See Stipulation and Agreement, Attachment 2 to April 18 Order, at
2 ¶¶ 25-27.

3 The S&A in the 112 Docket also required Westar to share its
4 class cost of service study with the parties to the S&A no less than
5 15 days prior to filing its application in this docket. We complied
6 with this requirement by conducting a meeting on March 27, 2013.
7 Westar provided notice of this meeting to all parties on the service
8 list in the 112 Docket. The meeting was well attended and included
9 15 participants as well as various members of Westar's staff.

10 **Q. WHEN DID THE COMMISSION AUTHORIZE THE COSTS**
11 **ASSOCIATED WITH THE ENVIRONMENTAL PROJECTS AT LA**
12 **CYGNE THAT YOU ARE INCLUDING IN RATES IN THIS**
13 **DOCKET?**

14 A. In Docket No. 11-KCPE-581-PRE, the Commission approved
15 Westar's recovery of costs associated with the installation of
16 environmental controls at La Cygne up to \$615 million, reflecting
17 our 50% share. See Order Granting KCP&L Petition for
18 Predetermination of Rate-making Principles and Treatment, Docket
19 No. 11-KCPE-581-PRE (August 19, 2011).

20 **Q. ARE THE COMPONENTS OF WESTAR'S FILING IN THIS**
21 **DOCKET CONSISTENT WITH THE ISSUES IDENTIFIED IN THE**
22 **S&A APPROVED BY THE COMMISSION IN THE 112 DOCKET?**

1 A. Yes. Our filing addresses each of the items from the S&A in the
2 112 Docket. We update the revenue requirement with adjustments
3 related to the environmental projects at La Cygne and the
4 amortization of the costs from the 2007 ice storm. We also make
5 proposals related to class cost of service, cost allocation among
6 classes, and rate design. As I discuss later in my testimony, we are
7 providing class cost of service studies and a cost allocation
8 proposal that conform to established cost allocation methods in the
9 industry, are in the public interest, are fair, and will better align rate
10 structure with the goal of creating and retaining jobs in Kansas.

11 **Q. WHEN DOES WESTAR REQUEST THE COMMISSION ISSUE**
12 **ITS ORDER IN THIS DOCKET?**

13 A. The Commission has on numerous occasions expressed its interest
14 in improving the efficiency of Kansas regulation. To further that
15 goal, because there are only two discreet items that affect revenue
16 requirement in this case, and because this case follows so closely
17 after a complete review of our cost of service, we request that the
18 Commission issue its order within six months of the date of our
19 application. Both of the two revenue requirement adjustments at
20 issue were approved as a result of recent orders by the
21 Commission. As such, we believe it is reasonable to complete the
22 discovery process, filing of testimony, and hearing in sufficient time
23 to allow the Commission to issue its order by October 15, 2013.

1 **III. ADJUSTMENTS TO WESTAR'S REVENUE REQUIREMENT**

2 **Q. WHAT IS THE ADJUSTMENT TO REVENUE REQUIREMENT IN**
3 **THE FILING?**

4 A. We are requesting an increase of \$31.7 million. This constitutes a
5 1.7% increase in revenue requirement.

6 **Q. EARLIER IN YOUR TESTIMONY YOU MENTION THAT THE**
7 **REQUESTED INCREASE IN REVENUE REQUIREMENT**
8 **CONSISTED OF TWO COMPONENTS. WHAT IS THE FIRST**
9 **COMPONENT?**

10 A. We are updating the revenue requirement to include the investment
11 we have made for the approved environmental projects at La
12 Cygne through June 30, 2013. Westar witness John Bridson
13 provides a more detailed explanation of the status of the
14 environmental upgrades at La Cygne and the costs that have been
15 incurred. Westar witness Kevin Kongs explains the accounting
16 adjustments necessary to include these costs in rates.

17 As Mr. Kongs explains, we projected costs through the end
18 of June 2013 because actual costs will be available for audit well
19 before Staff and other intervenors file their direct testimony in this
20 docket. This is consistent with the Commission's practice in other
21 dockets, including recent decisions in Docket Nos. 08-WSEE-1041-
22 RTS and 12-KCPE-764-RTS.

23 **Q. WHAT IS THE SECOND COMPONENT OF THE ADJUSTMENT**
24 **TO REVENUE REQUIREMENT?**

1 A. We updated the amortization period for costs incurred when
2 restoring service after the 2007 ice storm. By eliminating the
3 original regulatory asset created after the ice storm and amortizing
4 only the remaining costs not yet recovered over a 24 month period,
5 Westar reduced its annual revenue requirement by about \$10
6 million. Westar witness Kevin Kongs describes this adjustment in
7 more detail.

8 **IV. CLASS COST OF SERVICE AND COST ALLOCATION**

9 **Q. WHAT IS THE PURPOSE OF A CLASS COST OF SERVICE**
10 **STUDY?**

11 A. The study determines whether each class of customers is paying a
12 price that covers the cost to serve those customers. Generally,
13 rates should be set based on the principle of cost causation – the
14 idea that customers should pay rates equal to the costs they cause
15 the utility to incur. The goal of a class cost of service study is to
16 determine whether this is occurring.

17 When performing his class cost of service studies, our
18 witness Paul Raab determines the cost to serve using the two most
19 broadly used and accepted methods in the industry for each class
20 of customers and the design revenue from each class. He then
21 calculates the implicit average earned rate of return contributed by
22 each class as part of the overall cost of service. Finally, he looks at
23 the rate of return being provided by each class for each of the two
24 methods and compares them to the overall rate of return.

1 If one agrees with the accepted principle that customers
2 should pay for the costs incurred to serve them, then a cost of
3 service study showing that all customer classes are paying equal
4 rates of return evidences that each class is paying its share. If the
5 rates of return among classes are different – some above and
6 some below the average rate of return – then the classes above the
7 average are subsidizing the classes below the average.

8 **Q. HOW DID WESTAR APPROACH ITS CLASS COST OF SERVICE**
9 **STUDY IN THIS CASE?**

10 A. As part of the S&A in the 112 Docket, Westar agreed that class
11 cost of service, class cost allocation, and rate design would be
12 open issues to address in this case. As Mr. Raab explains in his
13 Direct Testimony, we took a slightly different approach to class cost
14 of service in this docket than we have in prior cases.

15 In the past, Westar has classified generating plant costs on a
16 demand basis and allocated the costs to customers using a 4-
17 coincident peak allocation factor (4-CP). In summary terms, this
18 method implies that the costs of generating plants are incurred as a
19 result of peak (kW) demand, and not the amount of energy (kWh)
20 consumed. Staff has historically classified plant costs on a demand
21 and energy basis and allocated them to customers using a peak
22 and average allocation factor (Peak and Average). In summary,
23 this means Staff has historically allocated the cost of power plants

1 on the basis of both peak (kW) demand and the amount of energy
2 (kWh) consumed. As Mr. Raab explains, these two methods are
3 the most commonly accepted methods used across the country and
4 both are recognized by the National Association of Regulatory
5 Utility Commissioners (NARUC).

6 In prior cases, both Staff and Westar stood firmly behind
7 their preferred, but different, methods, with that difference of
8 opinion effectively resulting in no significant progress toward more
9 cost-based rates under either approach.

10 Recognizing that there is common ground that we can and
11 should reach toward a more fair cost allocation, and appreciating
12 that both methods have merit and are well accepted with long
13 histories, we have approached this case by attempting to define
14 and present a “zone of reasonableness” bracketed by the results
15 produced by each method.

16 Using a football field analogy, the two methods can be used
17 to define the end lines of the “playing field” anywhere within which
18 the Commission can be confident in its decision. To aid the
19 Commission’s and the parties’ understanding of these issues,
20 rather than filing a single class cost of service study, Westar chose
21 to acknowledge the validity of both methods and use them to
22 establish a reasonable range of outcomes. This range will help
23 guide the Commission to reach a more fair rate design which

1 reduces interclass subsidies. To accomplish this, Mr. Raab
2 performed two separate class cost of service studies – one using
3 the 4-CP methodology, and one using the Peak and Average
4 methodology.

5 **Q. WHAT DID YOU LEARN FROM THE TWO CLASS COST OF**
6 **SERVICE STUDIES PERFORMED BY MR. RAAB?**

7 A. The results of both studies indicate that large commercial and
8 industrial customers are paying more than the cost to serve them
9 and small general service and residential customers are paying
10 less than the cost to serve them. In effect, and over time, current
11 rates need to be adjusted to make them more fair by removing this
12 implicit subsidy. Mr. Raab discusses the results of his class cost of
13 service studies in detail in his Direct Testimony. Table 1 below
14 summarizes those results and shows the change in rates, on a
15 dollar and percentage basis, that would be necessary to equalize
16 the rates of return under each of the respective 4-CP and the Peak
17 and Average methods.

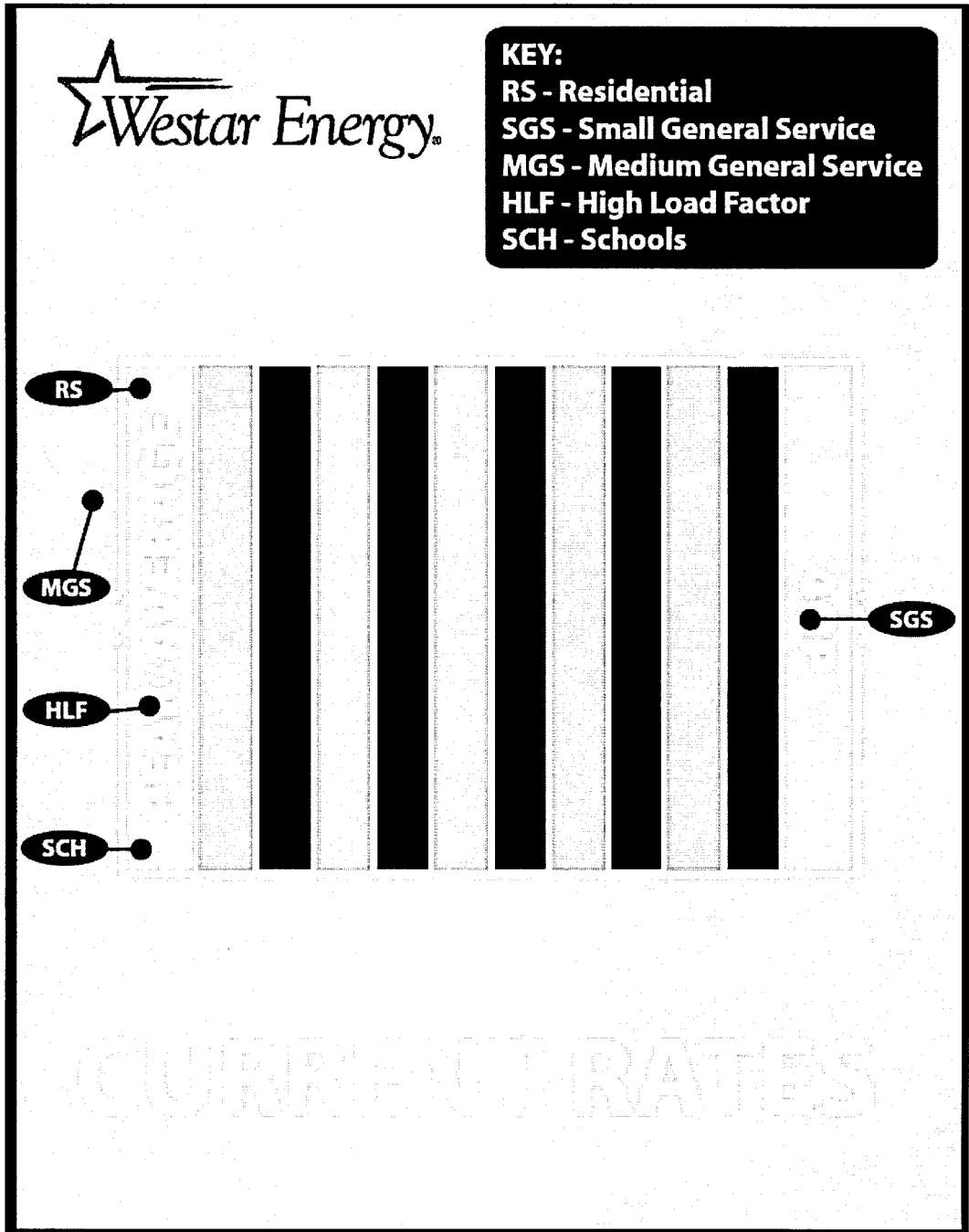
Table 1

<u>Customer Class</u>	<u>Revenue Change</u>		<u>Percent Change</u>	
	CCOS 4-CP	CCOS Peak & Average	CCOS 4-CP	CCOS Peak & Average
Residential	\$141,024,895	\$61,973,893	18.4%	8.1%
Small General Service	\$21,793,027	\$27,602,386	5.8%	7.3%
Medium General Service	(\$65,997,772)	(\$33,712,004)	-19.8%	-10.1%
Schools	(\$10,323,028)	(\$4,014,503)	-19.8%	-7.7%
HLF/LTM/ICS	(\$49,784,606)	(\$18,044,658)	-15.5%	-5.6%
Lighting Service	<u>(\$4,964,271)</u>	<u>(\$2,056,869)</u>	<u>-20.1%</u>	<u>-8.3%</u>
Total Company	\$31,748,245	\$31,748,245	1.7%	1.7%

HLF = High Load Factor
LTM = Large Tire Manufacturer
ICS = Interruptible Contract Service

- 2 **Q. USING YOUR FOOTBALL FIELD ANALOGY, IF THE TWO**
3 **STUDY METHODS ESTABLISH THE BOUNDARIES FOR THE**
4 **“PLAYING FIELD” ON WHICH THE COMMISSION SHOULD SET**
5 **RATES, WHERE ARE YOUR CURRENT RATES LOCATED?**
- 6 A. Over time, Westar’s rates as currently designed have slipped off
7 the playing field entirely, in terms of allocating costs based on the
8 principles of cost causation. Figure 1 below illustrates where
9 Westar’s current rates reside versus the rates determined by the 4-
10 CP and Peak and Average methods.

Figure 1



2 Q. DO THESE RESULTS DIFFER SIGNIFICANTLY FROM THE
 3 RESULTS OF CLASS COST OF SERVICE STUDIES
 4 PERFORMED IN YOUR PREVIOUS RATE CASES?

1 A. No. Regardless of which study method is used, over a long period
2 of time our industrial and medium general service rates have
3 evolved in such a way as to create an implicit subsidy between rate
4 classes.

5 Whatever the reason that may have caused the interclass
6 subsidy, we think it is consistent with overall fairness and good
7 public policy to correct the misalignment. Considering the
8 sluggishness of the U.S. economy and the hyper-competitive global
9 economy, our large commercial and industrial customers are
10 convinced they can no longer afford to bear the cost of the subsidy
11 if we want Kansas to win the battle to create and sustain the jobs
12 and tax base that will grow our state's economy. Businesses have
13 many choices about where they invest to create jobs and how
14 much they produce. While energy costs are not usually the top
15 consideration, they are among the list of important factors, like
16 taxes and the skill and availability of labor.

17 **Q. WHY DOES WESTAR BELIEVE IT IS THE RIGHT TIME TO**
18 **MAKE THE ADJUSTMENT TO A MORE FAIR COST**
19 **ALLOCATION?**

20 A. While we provide a significant overall favorable advantage with our
21 utility rates, with rates remaining almost 17% below the national
22 average, this is much less the case when one considers each class
23 of customers individually. When compared to utilities nationally and

1 in neighboring states, Westar's rates for large customers hold a
 2 much smaller advantage. As is evident in Table 2 below, while we
 3 still maintain some advantage for our large customers in
 4 comparison with the national average, that advantage is slight.

5 Table 2

Industrial Rates

<u>Year</u>	<u>Westar Energy</u>	<u>National Average</u>	<u>% below</u>
July 2011-June 2012	6.42¢	6.63¢	-3%
Source: EEI Typical Bill Report, July 1, 2012			

6 When we compare Westar's industrial rates to an eight-state
 7 area, arguably the region in which Kansas industry most directly
 8 competes, current rates put large Kansas companies and their
 9 employees at a disadvantage.

10 Table 3

Industrial Rates

<u>Year</u>	<u>Westar Energy</u>	<u>Regional Average</u>	<u>% above</u>
2011	6.42¢	5.44¢	18%
Source: EEI Typical Bill Report, July 1, 2012			

11 Setting utility rates in accordance with well-established rate
 12 making principles is not only consistent with the principles of cost
 13 causation and fairness, it is also imperative to maintain the

1 competitiveness of our Kansas economy, which we believe is a
2 valid and important public interest goal.

3 **Q. WITHIN THE CONTEXT OF THE TWO COST OF SERVICE**
4 **METHODS, UNDER RECENT PRACTICES, HOW WOULD**
5 **COSTS HAVE BEEN ALLOCATED AMONG THE RATE**
6 **CLASSES?**

7 A. Typically, we would allocate all or nearly all of the increase in
8 revenue requirement to the residential and small general service
9 customers and little or none of the costs would be allocated to the
10 larger customers. This is illustrated in the testimony of Westar
11 witness Dick Rohlf.

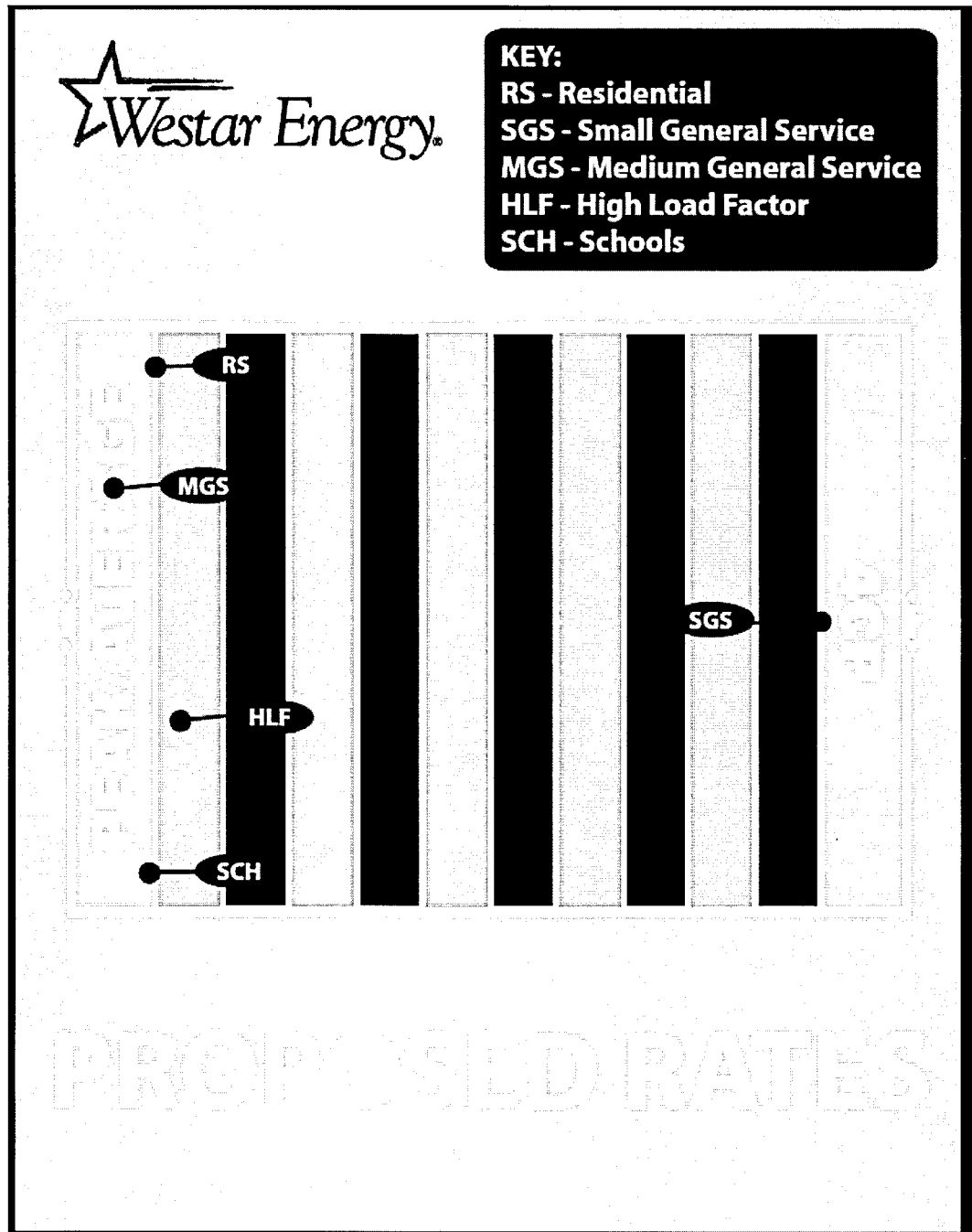
12 **Q. DO YOU RECOMMEND THAT THE COMMISSION UTILIZE THE**
13 **TYPICAL COST ALLOCATION PRACTICES THAT HAVE BEEN**
14 **USED IN THE PAST?**

15 A. No. To do so would still leave all classes of customers paying rates
16 outside the boundaries defined by the results of the 4-CP and Peak
17 and Average methods. This approach would be more of a
18 business-as-usual approach that would result in a missed
19 opportunity to better align Westar's rates with the principles of cost
20 causation and reduce subsidies.

21 **Q. WITHIN THE CONTEXT OF THE TWO COST OF SERVICE**
22 **METHODS, HOW DOES WESTAR PROPOSE TO ALLOCATE**
23 **COSTS AMONG THE RATE CLASSES?**

1 A. We believe the principal of gradualism still has merit – not as an
2 excuse to do nothing or an excuse to do as little correction as
3 possible, but to be a guide in taking measured but meaningful steps
4 to correct the misalignment. Accordingly, we are proposing a rate
5 allocation that will move cost of service for all customer classes to
6 just the edge or near the edge of the range of reasonableness, or –
7 continuing the analogy, as illustrated below in Figure 2 – just onto
8 the edge of the playing field.

Figure 2



2 We accomplish this by proposing that rates be moved to – or
3 very close to – the full class cost of service under the Peak and
4 Average method for most classes, and the 4-CP method for small
5 general service, with slight adjustments necessary to address

1 concerns about customer migration. The approach results in all
2 classes having rates within or very near the zone of
3 reasonableness as established by the two dominate methods, and
4 accomplishes this result with the smallest change in rates possible,
5 consistent with the principles of gradualism and fairness. Mr.
6 Rohlf discusses the rate design we have developed in order to
7 implement this allocation of costs in his testimony.

8 **Q. IF THE COMMISSION WERE TO ACCEPT YOUR PROPOSAL**
9 **FOR CLASS COST OF SERVICE, WHAT WOULD BE THE**
10 **RESULTING RELATIVE RATE COMPARISON FOR**
11 **RESIDENTIAL CUSTOMERS?**

12 A. Our rates for residential customers would retain a relative cost
13 advantage compared to the nation and be cost competitive in the
14 region.

15 **Q. HOW WOULD YOU SUMMARIZE YOUR COST ALLOCATION**
16 **PROPOSAL IN THIS CASE?**

17 A. Westar's cost allocation proposal is consistent with:

- 18 1. Well-established and accepted principles of cost allocation;
- 19 2. Principles of cost causation and fairness;
- 20 3. Embracing the merits of moving gradually;
- 21 4. Reducing or eliminating inter-class subsidies; and
- 22 5. Keeping Kansas industry competitive.

1 While those of us in Kansas appreciate its many merits, it remains
2 true that Kansas has not been blessed with many of the natural
3 geographic or climate advantages that seem to be so attractive to
4 relocating industry and large employers. With good public policy,
5 whether promoting good education to develop a skilled, productive
6 workforce or providing fair rates, we have the ability to overcome
7 these disadvantages by doing things that make our state's industry
8 more competitive and our tax base broader and stronger.

9 **V. RATE DESIGN AND TARIFF CHANGES**

10 **Q. WHAT RATE DESIGN CHANGES IS WESTAR PROPOSING IN**
11 **THIS DOCKET?**

12 **A.** We are making three primary proposals:

- 13 1. Create a tariff to further our efforts to support economic
14 development;
- 15 2. Redirect some existing funds to aid low-income customers;
16 and
- 17 3. Changes to Westar's customer charge for residential and
18 small general service customers.

19 Westar witness Dick Rohlf discusses the tariff changes necessary
20 to implement these three proposals in his testimony.

21 **Q. PLEASE DESCRIBE YOUR ECONOMIC DEVELOPMENT**
22 **TARIFF PROPOSAL.**

23 **A.** Our new Promote Kansas tariff is designed to encourage and
24 facilitate economic development. Westar witness Terry Wilson

1 discusses this proposal in his Direct Testimony. It is designed to
2 allow state and local economic development organizations and
3 Westar more flexibility to work with potential customers when they
4 are considering whether to locate or expand their facilities in
5 Kansas. Our Promote Kansas tariff proposal is consistent with our
6 desire to contribute to the ongoing efforts to retain and attract jobs
7 in Kansas.

8 **Q. WHAT IS WESTAR'S PROPOSAL TO CREATE A NEW LOW-**
9 **INCOME ASSISTANCE FUND?**

10 A. We recognize that some of our residential customers need
11 occasional assistance with their energy costs. As Mr. Wilson
12 explains in his testimony, we propose to create an additional fund
13 to provide low-income energy assistance, one that will be
14 administered by a third party. We ask the Commission to allow us
15 to redirect 10% of the margins we receive when we make
16 wholesale sales to other utilities (asset-based margins) to the new
17 low-income assistance fund. We are also proposing to take all the
18 dollars we receive through our RENEW tariff and also contribute
19 those to the low-income assistance fund. Currently 100% of these
20 wholesale margins and RENEW revenues flow back to all
21 customers to reduce their energy cost through the Retail Energy
22 Cost Adjustment (RECA) tariff. By creating this new low-income
23 assistance program, we hope to alleviate some of the effects that

1 correcting the rate misalignment may have on some of our most
2 vulnerable customers.

3 **Q. WHAT IS WESTAR'S PROPOSAL RELATED TO THE**
4 **RESIDENTIAL AND SMALL GENERAL SERVICE MONTHLY**
5 **CUSTOMER CHARGES?**

6 A. We are proposing to increase the monthly customer charge for
7 residential and small general service customers. Currently, the
8 customer charge for residential customers is only \$9.00 and for
9 small general service customers is \$19.00. The customer charge is
10 intended to recover the fixed costs associated with serving each
11 individual customer, but as presently set, it does not come close to
12 doing so. In fact, the class cost of service studies performed by
13 Westar witness Paul Raab indicate that in order to fully recover our
14 fixed costs, the residential customer charge would have to be as
15 much as \$30 per month and the small general service customer
16 charge up to \$42 per month. To take a step in the right direction,
17 Westar is proposing a residential customer charge of \$13 and a
18 small general service customer charge of \$20; again, moving rates
19 to levels more consistent with the cost of service.

20 **Q. HOW DO THE PROPOSED CUSTOMER CHARGES FOR**
21 **RESIDENTIAL AND SMALL GENERAL SERVICE CUSTOMERS**
22 **COMPARE WITH CUSTOMER CHARGES BY OTHER**
23 **UTILITIES?**

1 A. They are well within the zone of existing neighboring utilities. Table
2 4 below compares Westar's proposed customer charges with those
3 of neighboring states.

4 Table 4

Company	Residential Service	Small General Service
Westar Energy – Proposed	\$13.00	\$20.00
KCPL – Kansas	\$11.09	\$17.94
EDE – Kansas	\$14.00	\$19.00
EDE – Missouri	\$12.52	\$20.00
OG&E - Oklahoma	\$13.00	\$24.70

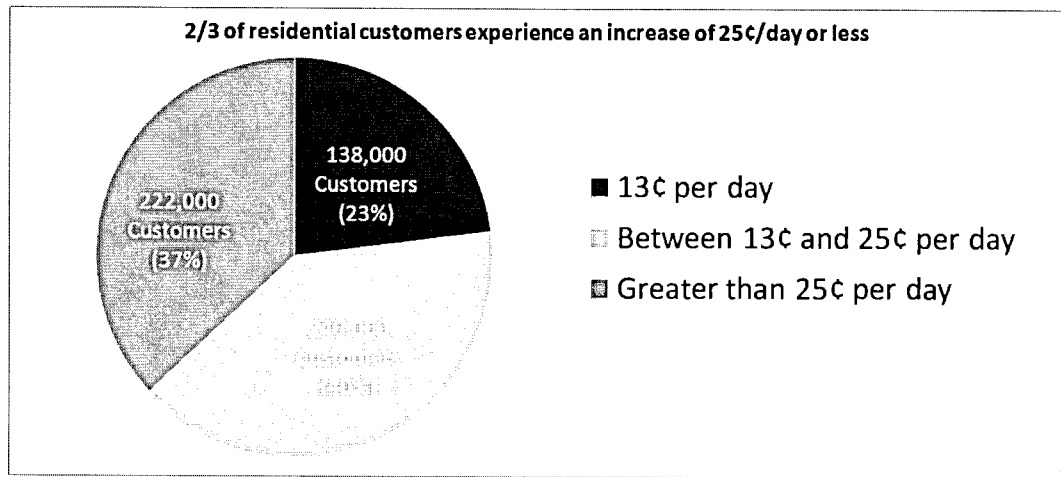
5 **VI. RATE IMPACTS**

6 **Q. HOW HAS WESTAR CONSIDERED THE EFFECT ON**
7 **CUSTOMERS OF THE REVENUE REQUIREMENT CHANGE**
8 **AND COST ALLOCATION AND RATE DESIGN CHANGES**
9 **PROPOSED IN THIS DOCKET?**

10 A. Because of the significant changes in cost allocation and rate
11 design proposed in this case, we have analyzed and presented the
12 effects of our cost allocation and rate design proposal in far more
13 detail than in past rate cases. In total numbers, the residential
14 class comprises the vast majority of our customers; therefore, we
15 wanted to understand the effect on residential customers to a
16 greater level of detail than just as a simple average. Figure 3 below
17 illustrates the effect of our proposed residential rate design.

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FIGURE 3



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As Figure 3 illustrates, averages can be deceiving. In fact, nearly two-thirds of our residential customers, or nearly 380,000 families, will see an increase of less than the average increase – or less than 25 cents per day. Nearly a quarter of our customers, those using the least amount of electricity, which are also statistically our lower income customers, will see an increase of only 13 cents a day or less, which is less than half the average. Only about one-third of our customers are likely to pay more than the average increase, and those customers are typically among our more affluent customers.

Q. WHAT IS THE AVERAGE INCREASE FOR EACH CLASS UNDER WESTAR'S PROPOSAL?

A. If Westar's cost allocation proposal is approved, its revenue requirement would increase by 1.7% and be collected from customers as shown in Table 5 below. Table 5 shows the average increase or decrease for each customer class.

Table 5

<u>Customer Class</u>	<u>Percent Change in Rates</u>
Residential	8.1%
Small General Service	7.3%
Medium General Service	-10.1%
Schools	-7.7%
HLF/LTM/ICS	-5.6%
Lighting Service	-8.3%
Total Company	1.7%

HLF = High Load Factor
LTM = Large Tire Manufacturer
ICS = Interruptible Contract Service

2 **Q. ARE THERE OTHER ASPECTS OF WESTAR'S RATE DESIGN**
3 **THAT HELP ALLEVIATE THE EFFECT OF RATE CHANGES ON**
4 **LOWER INCOME CUSTOMERS?**

5 **A. Yes. As a result of a suggestion made by the Citizens' Utility**
6 **Ratepayer Board in a previous docket, Westar's residential rates**
7 **use inclining blocks in the summer. Under this design, customers**
8 **pay a relatively low price for the first 500 kWhs and higher prices**
9 **for energy consumed above that level. In this docket, Westar is**
10 **proposing to continue this inclining rate structure for summer rates,**
11 **but further enhance the benefit of the rate structure for customers**
12 **using the least amount of energy by holding flat the rate for the first**
13 **500 kWh and applying the increase only to consumption above 500**
14 **kWh. This preserves the benefit of the inclining block structure,**

1 particularly for low-income customers, and also provides an
2 encouragement to conserve.

3 **Q. HAVE YOU CONSIDERED THE OVERALL EFFECTS OF THE**
4 **PROPOSED RATE DESIGN ON YOUR LOWER INCOME**
5 **CUSTOMERS?**

6 A. After considering the rate design and proposed increase in this
7 case, almost two-thirds of our residential customers will be able to
8 power their homes for less than \$3.50 per day, about the same
9 price they must pay for a single gallon of gas.

10 **Q. THANK YOU.**